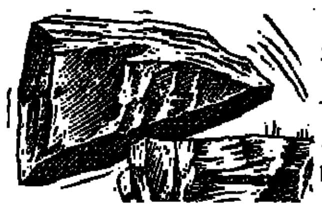
Eurotunnel fares
First shots in a long battle
Page 16

Yeltsin's new year
Hardest test is still to come
Page 19



Broking scandal
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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY JANUARY 11 1994 D8523A

Former chiefs at Metallgesellschaft face investigation

The Frankfurt prosecutor's office has launched a formal investigation into Heinz Schimmelbusch, the former chief executive of the troubled Metallgesellschaft group, and former finance director Meinhard Forster.

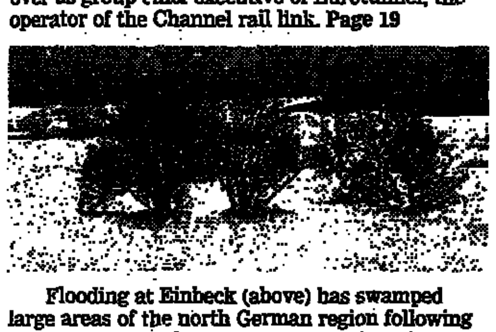
Hildegarde Becker-Toussaint, for the office, said the investigation would focus on suspicion of fraud and failure to inform the supervisory board of the company's developments. Page 21; Banks asked for new credits, Page 24

Moscow clash feared: Russia's new parliament convenes today amid warnings from President Boris Yeltsin's aides of a possible confrontation between executive and legislature. Page 20; Caustic claimant to throne, Page 19

W German GDP slides by 1.9%: The west German economy contracted by 1.9 per cent in 1993, the sharpest drop in gross domestic product since the second world war, the federal statistics office reported. Page 2

Sweden's budget deficit will fall to 11.2 per cent in the July-June budget year after higher than expected economic growth, finance minister Anne Wibble said. Page 20

Frenchman tipped as Eurotunnel chief: French industrialist Georges-Christian Chazot has emerged as the leading candidate to take over as group chief executive of Eurotunnel, the operator of the Channel rail link. Page 19



Flooding at Einbeck (above) has swamped large areas of the north German region following heavy rainfall and melting snow. In the French Alpine village of La Salle-en-Beaumont, south of Grenoble, two bodies were found after a wave of mud destroyed eight homes. Weather, Page 20

UK rate cut hopes recede: Prospects for an early cut in UK interest rates appeared to fade as official statistics added to recent evidence of stronger economic growth and a survey pointed to a possible return of inflationary pressure. Page 20 and Lex; Business failures down, Page 8

UK aid worker seized: The UK government called for the release of British aid worker Calum Gardner, United Nations World Food Programme finance director, after his kidnap by three gunmen in the Somali capital, Mogadishu.

NSW fire toll could hit A$100m: Damage caused by bush fires in New South Wales, the worst in the Australian state for 50 years, could prompt insurance claims of A$100m. Rain and lower temperatures have now helped contain the fires. Picture and story, Page 4

Battle for Polish TV: Bertelsmann of Germany, Companie Luxembourgeoise de Telediffusion (CLT) and Time Warner of the US are among media companies set to clash for control of Poland's first commercial TV channel. Page 21

PLO and Israel resume talks: Israel and the Palestine Liberation Organisation formally resumed suspended peace talks at the Egyptian resort of Taba. Page 4

Tokyo's clearer line on China: Tokyo has signalled a marked shift in its policy on China by indicating it is to be more frank on issues such as human rights and China's growing military budget. Page 4

India opens up insurance market: India is expected shortly to end the state's monopoly of insurance and to open the industry to foreign companies. Page 4

Bali coach crash kills 10: Ten French tourists died and at least 17 other tourists were badly injured when their bus crashed into a ravine on the island of Bali, Indonesia.

IG Farben, a shell company handling the liquidation of the second world war Nazi chemicals cartel, has no legal claim to dispossessed assets in eastern Germany, a court ruled. Page 2

Ford-Mazda co-production deal sought: Carmakers Ford and Mazda are to start talks shortly which could lead to the production of cars at a Ford plant in Europe for sale under the Mazda badge in Europe. Page 5

■ STOCK MARKET INDICES		
FT-SE 100:	3,440.6	(-5.4)
Yield	3.42	
FT-SE Eurotrack 100	1,483.27	(-1.85)
FT-SE-A All-Share	1,703.84	(-0.1%)
Nikkei	18,443.44	(+319.43)
New York: lunchtime		
Dow Jones Ind Ave	3,844.40	(+23.63)
S&P Composite	472.33	(+2.43)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	3.064%	
Long Bond	100½	
Yield	6.245%	
■ LONDON MONEY		
3-mo Interbank	5⅞%	(5⅞%)
Liffe long gilt future:	Mar 119½	(Mar119⅝)
■ NORTH SEA OIL (Argus)		
Brent 15-day	$13.88	(14.34)
■ Gold		
New York Comex (Feb)	$385.7	(387.2)
London	$383.1	(388.25)

■ STERLING		
New York lunchtime:		
$	1.493	
London:		
$	1.4955	(1.4905)
DM	2.5883	(2.5834)
FFr	8.825	(8.791)
SFr	2.194	(2.1918)
Y	167.827	(166.675)
£ Index	82.4	(82.3)
■ DOLLAR		
New York lunchtime:		
DM	1.73385	
FFr	5.9065	
SFr	1.4728	
Y	112.25	
London:		
DM	1.7306	(1.7333)
FFr	5.9013	(5.898)
SFr	1.4671	(1.4705)
Y	112.225	(111.825)
$ Index	67.4	(same)
Tokyo close Y 111.73		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv25.00	Iceland	IK0215	Neth	Fl 4.08	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y580	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils625	Poland	Zl32,000	Tunisia	Din1.500		
Germany	DM3.60	Lebanon	US$1.50	Portugal	Esc225	Turkey	L10000		
						UAE	Dh12.00		

 No 32,263 Week No 2

Conflict in Bosnia overshadows 'breakthroughs for peace' at Nato summit

Ukraine to give up N-weapons

By Jurek Martin in Brussels and John Lloyd in Moscow

The US, Russia and Ukraine have reached agreement on the removal of all former Soviet nuclear missiles from Ukrainian territory, President Bill Clinton announced last night.

The president will stop briefly in Kiev tomorrow night to talk to President Leonid Kravchuk, who will then join Mr Clinton and President Boris Yeltsin in Moscow on Friday to initial the agreement.

An ebullient Mr Clinton described the settlement as "hopeful and historic," and, along with the Nato summit's endorsement yesterday of closer co-operation with former Warsaw Pact nations, as "two breakthroughs for peace". He was speaking in Brussels at the end of the first day of a summit otherwise overshadowed by the conflict in former Yugoslavia.

On the Ukraine missiles deal, the president was also confident that Mr Kravchuk could carry the Ukrainian parliament with him. Last year the legislature added sufficient conditions and demands to an earlier agreement to render it unacceptable to the US. Mr Kravchuk will submit this agreement, together with the Start and Nuclear non-proliferation treaties already approved, to the new parliament after elections in March.

The deal, if agreed there, would remove one of the largest sources of potential instability in the former Soviet Union.

Mr Kravchuk himself, however, has a history of appearing to agree on key issues with Russia, then revising the terms of the agreement later. Relations between Ukraine and Russia worsened last year after an agreement in principle on the handing over to Russia of the Black Sea Fleet was later repudiated by Mr Kravchuk, and the issue stalled.

Associated Press

Bill Clinton greets Helmut Kohl, watched by US secretary of state Warren Christopher (left) and German foreign minister Klaus Kinkel

Both Mr Clinton and Mr Warren Christopher, his secretary of state, argued that Ukraine would benefit from the missiles agreement – not only in the form of financial payments from the US but also because its territorial integrity had now been guaranteed by the US, the UK and Russia, its powerful neighbour.

The agreement enables Mr Clinton to claim a substantial foreign policy victory in a field – nuclear non-proliferation – which he has accorded high priority.

The ceremony on Friday may also draw attention away from what could prove to be difficult sessions in the Russian capital, with Mr Yeltsin now at odds with the reformers whom the US has strongly supported.

US officials said the "framework" agreement to deactivate nearly 1,800 warheads and 175 intercontinental ballistic missiles now based in Ukraine – all aimed at the US – could see the first transfers of warheads to Russia begin in the spring.

Under the Lisbon Protocols of 1992, signed by all the former Soviet republics housing nuclear weapons, the process is expected to be completed in seven years. A US official said last night the "most dangerous" missiles would be removed first.

US financial assistance will take two principal forms. Ukraine will receive "somewhat more" that the $175m already on offer from the Nunn-Lugar programme created to assist states dismantle their nuclear capabilities.

Additionally the US will buy enriched uranium extracted from the missiles under the existing $12bn, 20-year understanding with Russia. It will then be reprocessed by the US Enrichment Corporation and resold on a commercial basis. A US official estimated that Ukraine could receive about $1bn under this programme but Mr Clinton insisted that the US taxpayer would be paying nothing extra.

As part of the deal, Russia would also cancel a significant portion of the debt now outstanding from Ukraine for shipments of oil and gas. Ukraine now pays world prices for energy from Russia, and has been forced to schedule power cuts and reduce heating to buildings.

Summit details, Page 3

Clinton warns of threat to credibility

By Lionel Barber and David White in Brussels

US president Bill Clinton warned European allies yesterday that the North Atlantic Treaty Organisation must be ready to carry out threats of military action in Bosnia or risk the credibility of the alliance.

"If the situation does not improve, the alliance must be prepared to act," he said on the opening day of the Nato summit. However, he later made clear there was no question of an immediate decision to launch air strikes.

He told other Nato leaders that threats of action "cannot be seen as mere rhetoric". Those who attacked Sarajevo, the Bosnian capital, must understand that Nato was serious, he said.

Arguments over Bosnia threatened to undermine the image of renewed purpose which Nato sought to project at the summit, primarily through the forging of new links with former enemies in central and eastern Europe. Mr Clinton said at a press conference that Nato's opening to the east, less than three years after the disbandment of the Warsaw pact, was the real issue of the day.

The 16 leaders yesterday launched their Partnership for Peace project inviting former Warsaw pact countries, including Russia and the rest of the former Soviet Union, to negotiate military ties.

The plan is a compromise which holds out the prospect of eventual membership for some former communist countries while acknowledging the opposition of Russian hardliners who fear encirclement by Nato. Poland's president Lech Walesa said the plan was "a step that is too short but in the right direction." The alliance hopes eastern European partners will join in taskforces for regional conflicts. The summit is also due to approve a new command structure designed to help Nato deal more effectively with crises such as Bosnia.

Last night allied leaders met for discussions in depth on Bosnia and the possible use of air-strikes to halt the fighting between Serbs, Croats and Moslems and ensure that UN troops carry out relief missions. But even before the evening talks, divisions resurfaced among allies. Britain and Canada expressed reservations about the risks of military action, including possible reprisals against their troops serving with the UN.

Mr André Ouellet, Canadian foreign minister, told reporters: "An air strike might solve a minor circumstantial problem but could create a number of other difficulties and make our troops be perceived as belligerents."

Mr Douglas Hurd, UK foreign minister, said the threat of air strikes – which was first made last year – "might well be implemented". But he warned that any action would have to be carefully considered.

British officials have tried to avoid making the Bosnian conflict a benchmark for Nato's credibility, but Mr Clinton's declaration was explicit.

"What is at stake is not just the safety of the people in Sarajevo and any possibility of bringing this terrible conflict to an end, but the credibility of the alliance itself," he said.

Italy could get $1.3bn from part-sale of its IMI stake

By Haig Simonian in Rome

The Italian government stands to make up to L2,200bn ($1.3bn) by selling part of its stake in Istituto Mobiliare Italiano, the latest candidate on its ambitious privatisation list.

Mr Piero Barucci, the treasury minister, said in Rome that the state would roughly halve its shareholding in IMI to about 30 per cent from just over 60 per cent.

The transaction, to start on January 31, involves the sale of 200m IMI shares, representing one-third of its capital. About 90 per cent of the shares being sold are held directly or indirectly by the treasury, with the remainder coming from four other financial institutions.

The exact pricing will be revealed on January 29. However, the treasury has already indicated that shares will be sold for between L9,800 and L11,000 each.

The majority of the issue will be reserved for institutional investors, notably abroad. Some 35m shares will go to US institutions, 65m to other big foreign investors and 25m to Italian institutions. A further 75m shares are being sold to private investors in Italy.

Mr Mario Draghi, treasury director-general, who has been overseeing the IMI sale for more than two years, justified the decision to dispose of only half the state's stake for the time being.

With the privatisation of Credito Italiano barely completed and that of Banca Commerciale Italiana coming immediately after IMI, the treasury had to be careful not to flood the market, he argued. According to the latest timetable, the BCI deal will start on February 28.

The fact that the IMI privatisation is an initial public offering, rather than the disposal of residual public sector stock, also compelled caution, he said. Moreover, selling IMI shares in more than one tranche could maximise receipts for the state, which was also keen, he said, to create a stable shareholding base for the bank by not issuing too much equity at once.

IMI, which embraces long-term lending, fund management, securities trading and insurance, raised net profits to L376bn in the nine months to September 30 1993 from L275bn in the same period in 1992.

The treasury appears to have chosen caution in allocating just 75m shares for domestic retail investors. The figure is at the bottom end of the 60m-120m range indicated earlier, and reflects concern about IMI's relative unfamiliarity to the public.

To increase its attractions, IMI has said its 1993 dividend, to be paid in May, will be doubled to L400 a share. In addition, small shareholders who retain their holdings for at least three years will receive a one-for-10 bonus share.

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Banks may seek big changes at Disney

By Alice Rawsthorn in Paris

The Euro Disney banks may demand changes in the management and operation of the EuroDisneyland theme park as part of the emergency financial restructuring package for the troubled leisure group.

The banks are waiting forcompletion of a review of Euro Disney they commissioned last month from the Paris office of KPMG Peat Marwick, the accountancy and consulting group. Euro Disney, which lost FFr5.3bn ($900m) in the year to September 30, is threatened by bankruptcy unless the banks agree to a rescue.

KPMG has been asked to audit Euro Disney's financial position and future capital requirements. The preliminary version of this report, which will form the basis of the banks' negotiating strategy in the restructuring talks with Euro Disney and Walt Disney, its US parent company, is scheduled for completion this week.

The banks have also charged KPMG with analysing Euro Disney's business plan so they can decide whether changes will be required in the running of the park and in its cost base. This report, which is expected to take longer to finish than the financial audit, will be used to assess whether the banks should ask for strategic or personnel changes to be made at Euro Disney.

"There is deep dissatisfaction among the banks as to the way that Disney has managed Euro Disney," said a banker involved with the negotiations. "It is possible that we may press for changes. We also have to be sure that the cost base comes down. But nothing will be decided until KPMG has completed its work."

Walt Disney would be expected to resist any attempt by the banks to influence the running of Euro Disney. It prides itself on its strong corporate culture and was, until the Euro Disney debacle, regarded as one of the most most successful US companies.

However, the banks, which have been asked by Disney to exchange part of their FFr20.3bn loans for equity as part of the restructuring package, are anxious to protect their position.

NEWS: EUROPE

Bonn still hopeful as GDP falls 1.9%

By Ariane Genillard in Bonn

The west German economy contracted by 1.9 per cent in 1993, the sharpest drop in gross domestic product since the second world war, according to the federal statistics office.

GDP for the whole country fell by 1.3 per cent last year, down from a growth rate of 2.1 per cent in 1992.

The recession in western Germany had an impact on the eastern part of the country, which accounts for 7 per cent of the economy. Eastern Germany's GDP rose by 6.3 per cent in 1993, after growing by 7.7 per cent the previous year.

Officials at the statistics office said the 1993 drop in GDP was "dramatic" but it came from "a very high point" following two years of boom after reunification in 1990.

The figures support estimates by the government, which revised its forecast downwards in December and predicted a 2 per cent GDP fall for western Germany. In October, the economics minister still expected a more modest drop of 1.5 per cent.

The economics ministry in Bonn yesterday refused to comment as detailed figures, including fourth-quarter GDP, will only be published officially today. But government officials said the fourth quarter would continue to mark the improvement recorded in the previous two quarters. West Germany's GDP grew by 0.5 per cent in each of the second and third quarters after a 3.4 per cent drop in the first three months of the year.

Mr Günter Rexrodt, economics minister, recently said Germany could look forward to growth in 1994 of between 0.5 per cent and 1 per cent. But pessimism prevails among independent advisers, (the so-called five wise men) who see zero growth for 1994 due to lagging domestic demand and delayed investments.

Ifo and DIW, two leading economic institutes, last week called on the Bundesbank to further lower short-term interest rates to ensure sustainable growth. Both institutes are warning that the modest improvement in the economy could be short-lived unless better investment conditions are offered to enterprises.

British Steel chief says EU pact in danger

By Andrew Baxter

British Steel warned yesterday that a key part of the European Commission's plan to restructure the European Union's steel industry could collapse if a controversial rescue of Klöckner-Werke's Bremen mill goes ahead.

In an outspoken interview following last month's Brussels agreement on state subsidies, Mr Brian Moffat, chairman and chief executive of British Steel, urged the Commission to speak out against the Bremen rescue and to encourage mergers in the industry.

Mr Moffat's comments underline the unease among big non-aided steel producers following last month's agreement – which resolved disputes over subsidies in Germany, Italy and Spain – and indicate that the subsidy issue has not been laid to rest.

British Steel and its big French and German counterparts regard the future of the Bremen mill as a test case for the industry. In November, Klöckner-Werke said it was selling 75 per cent of the mill for a symbolic DM1 each to four local companies in a consortium led by the city state of Bremen.

Opponents say the deal amounts to state aid. Mr Moffat said the Commission should say in advance of being asked formally to approve it that the deal is not acceptable.

This could clear the way for a rival plan under which companies in Eurofer, the Brussels-based association of big European producers, would pay DM1bn (£300m) for the Bremen cold mill and shut down its hot-rolled mill, which has capacity of 3m tonnes a year.

Non-aided steel producers have been given until the end of February to come up with 25m tonnes of capacity cuts to match the 5m of cuts to be made by subsidised producers under last month's agreements. But Mr Moffat said producers would not come forward with cuts if others continued to be "spoon-fed".

"If the Bremen issue is resolved unsatisfactorily, that would put paid to the flat products initiative," he said. Cuts of 6m tonnes are being sought in hot-rolled coil and 2.5m tonnes in steel plate.

Mr Moffat said in the autumn that British Steel may not take part in the EU-backed self-help scheme – under which producers remaining in a sector will pay rivals which leave or reduce their presence.

Yesterday he said British Steel still reserved the right not to pay the levies involved in the scheme. "If we think that subsidies are going to be continued, the answer is no – and we would not be alone."

He said the Commission should act to encourage mergers, as this was the best way to produce rationalisation. Fringe operators should be taken over by larger groups, or should merge with each other. "Fewer players means greater discipline, and a degree of transparency that is not there today."

French fear veto for joint venture

By Andrew Hill in Brussels

Vallourec, a French steel tubing company, promised last night to redouble efforts to persuade the European Commission to approve a three-way joint venture with German and Italian steelmakers, after rumours that Brussels was poised to veto the deal.

The Commission is nearing the end of a four-month in-depth inquiry into the joint venture to produce seamless, stainless steel tubes with subsidiaries of Mannesman of Germany and Ilva of Italy. It should decide before the end of this month.

Brussels officials refused to comment on reports yesterday that a three-year merger task force had recommended to Mr Karel Van Miert, European competition commissioner, the deal should be blocked. If the Commission vetoes the joint venture it will be only the second time the EU's 1990 merger regulation has been used to ban a deal outright.

Mr Arnaud Leenhardt, Vallourec's chairman, said yesterday the reports of an impending veto had come as "a great surprise" to him and his partners in the deal. "There's a lot of competition in the areas where we operate, and the venture would not do away with competition," he said.

In November 1991, Sir Leon Brittan, then competition commissioner, persuaded fellow commissioners to outlaw a Franco-Italian takeover of de Havilland, the Canadian aircraft manufacturer, causing a political storm.

IG Farben case dismissed

IG Farben, a shell company handling liquidation of the second world war Nazi chemicals cartel, has no legal claim to dispossessed assets in eastern Germany, a German court said yesterday, Reuter reports from Berlin.

The federal administrative court in Berlin confirmed an earlier ruling by a lower court in Halle, that IG Farbenindustrie AG in Abwicklung has no claims to assets in the former East Germany.

With its ruling, the court rejected a challenge to the Halle decision by IG Farben shareholders who had hoped to gain millions of marks in windfall profits from the sale of the company's property in east Germany.

The second world war IG Farben cartel, which developed the Zyklon B gas used to kill millions in Nazi death camps, was subsequently broken up by the allies.It formed the nucleus of Germany's three main chemical groups: Hoechst, BASF and Bayer.

The share price of IG Farben gained strongly after the breach four years ago of the Berlin Wall, as speculators reckoned the company could receive compensation from properties taken over by the communists in former East Germany.

Another group, Daimler-Benz, said last year it was trying ways of recovering expropriated east German property.

Russia's new parliament meets for first time today

Reuter

Deputies discuss their new job yesterday after receiving accreditation outside the state duma's congress hall, while inside the hall an *electrician makes last minute adjustments to the electronic voting system*

Central pay talks resume in Ireland

By Tim Coone in Dublin

Talks resumed in Dublin yesterday between the government, employers and unions on a centralised pay bargaining agreement to cover the next two to three years.

The government cleared the way for fresh talks, which broke down two months ago, by agreeing to phase out an unpopular 1 per cent income levy over the next three budgets. Ireland faced a return to free collective bargaining when the talks broke down over the levy introduced in last year's budget.

The negotiations are still likely to be difficult, with all sides seeking significant changes in the two previous tripartite agreements which have regulated public and private sector pay since 1987.

The Irish Congress of Trade Unions, which represents most organised labour, is calling for a "new departure" in economic policy, involving commitments to greater workforce participation in company management, together with a "radical tax reform", aimed at job creation.

The country's main employers' organisation, the Irish Business and Employers' Confederation (IBEC), also wants a reduction in personal tax rates and employers' contributions to social insurance schemes, "to improve the incentive to work". However, it is also pressing for a pay freeze this year, arguing that competitiveness is under threat as a result of previous pay deals.

Average industrial earnings rose by 5 per cent last year, against an inflation rate of under 2 per cent, it says.

The government for its part is also seeking a freeze on public sector pay this year, and plans to introduce work-sharing and voluntary work schemes for those on unemployment benefit.

Bosnian negotiations get nowhere in Bonn

By Laura Silber in Belgrade and Reuter in Bonn

Two days of talks between Bosnian and Croat leaders ended yesterday without agreement on a ceasefire or territorial settlement, officials at the talks in Bonn said.

The officials said the talks between Mr Alija Izetbegovic, Bosnia's Moslem president, Croatian President Franjo Tudjman and mediators Lord Owen and Mr Thorvald Stoltenberg, co-chairmen of Geneva-based peace conference, had ended after a full day of difficult meetings.

They said the four would have dinner together last night and leave Bonn this morning. It was not yet known whether any of the parties would issue a statement.

Meanwhile, fighting flared again yesterday in central and north-eastern Bosnia.

Bosnian Croat forces yesterday tried to retake a strategic road, intersecting the Croat enclave in central Bosnia, according eyewitnesses in Vitez. They said the mainly Moslem government army cut through a supply route at the weekend, running between Vitez and Busovaca, two towns on the route crucial for the Croats to maintain their hold over the enclave.

Major Mike James, a British UN officer in the area, said the Bosnian army attacked Croat forces at four points in the Vitez pocket. Sarajevo radio yesterday denied reports that the Bosnian army started the fighting.

Bosnian Croat forces this autumn suffered a string of reverses at the hands of their Moslem adversaries. If the Bosnian army seizes Vitez, it will bolster its control over central Bosnia. The town has a weapons factory and is the headquarters for British UN troops.

Serb forces stepped up attacks around Teocak, northeastern Bosnia, according to Sarajevo radio. In nearby Bijelina, local inhabitants yesterday expected a surge in attempts to force remaining Moslems out of the Serb-held town on the Bosnian frontier with Serbia.

In Geneva, a United Nations official said the international humanitarian airlift to Sarajevo, suspended last week after Bosnian Serbs shelled the city's airport, was to start again today.

Ciampi may stay prime minister after elections

By David Marsh
European Editor

Mr Carlo Azeglio Ciampi, the Italian prime minister, might remain in office after forthcoming elections to maintain the thrust of political and economic reforms, Mr Romano Prodi, head of the state-owned Iri holding company, said yesterday.

Mr Prodi linked his prediction, made during a visit to London yesterday, with a relatively optimistic assessment of prospects for Italian privatisation in coming months.

Mr Prodi's view of Mr Ciampi's future contrasts with the general expectation that the respected ex-governor of the Bank of Italy would give way to a new prime minister after the elections, expected this spring.

In view of the likelihood that no party is likely to capture a clear-cut majority, Mr Prodi said that Mr Ciampi could "succeed himself" because he was seen as a figure above party politics.

Mr Prodi also brushed aside suggestions that Mr Ciampi, 73, might want to quit because of his age. "He is fantastically happy to be prime minister."

The immediate fate of the Ciampi government – and the timing of the elections – is likely to be decided by a no-confidence motion in the Italian parliament tomorrow.

He said none of the main Italian parties likely to emerge with a forceful presence in the next Italian parliament were opposed in principle to further privatisation sales. "There are no enemies against privatisation in principle."

Mr Prodi spelled out plans for fresh disposals of state-owned banking and industrial groups this year following the successful sale of Credito Italiano last month.

The sale of the newly-regrouped state telecommunications company was planned for the end of the year, he said. Because of the large revenues expected from the telecommunications sale, Iri would have liked to carry it out earlier.

After privatisation of large state-owned companies, Mr Prodi said Italy's industrial structure was likely to be broadly comparable with France's, with "at least 10 to 15 big companies" adding strength to the private sector.

He criticised the undue influence on Italy's media sector pf several large private groups, such as Fiat, Olivetti and Mr Silvio Berlusconi's Fininvest group. This was "one of the country's black spots."

NEWS IN BRIEF

French inflation down to 2.1%

Weak domestic demand and seasonal factors prompted a fall in French consumer price inflation in December, according to figures from Insee, the national statistics office, writes John Ridding in Paris.

Consumer prices fell by 0.1 per cent compared with November, giving an annual rate of inflation of 2.1 per cent.

Insee said it reflected a fall in prices in fruit and vegetables and in clothing. Additional factors included a reduction in the price of oil products.

Economists in Paris said that the weakness of inflation also reflected fragile consumer demand in the face of uncertain economic growth and the rise in unemployment.

German steel output down

Germany's raw steel production shrank by 5.3 per cent to 37.6m tonnes in 1993, compared with 1992, according to the federal statistics office, writes *Ariane Genillard from Bonn*. The sharpest decline was in the first six months; production rose slightly in the second half.

Air pollution curbs on Istanbul

Turkey has clamped anti-smog restrictions on Istanbul, the country's biggest city, after air pollution exceeded World Health Organisation danger levels by nearly seven times , Reuter reports from Istanbul.

Istanbul governor's office at the weekend placed home heating curbs on the city's 10m people. Hospitals, schools, youth hostels and police stations were told to turn down the temperature.

The authorities also urged people with heart and respiratory ailments, the elderly and children to stay home in the morning and evening.

Urban railway for Bordeaux

The Bordeaux urban council said it had approved a plan to construct an urban railway system, which will be built by Matra Hachette, Reuter reports from Bordeaux. The project, which has until now been plagued by procedural hitches, is expected to cost FFr6.05bn ($1bn).

Italian car sales plummet

Italian car sales slumped a record 20 per cent last year and the market is unlikely to see any significant pick up in 1994, the industry association, Anfia, said yesterday, Reuter reports from Turin.

New car registrations in Italy, the world's fourth largest car market, dropped to 1.89m in 1993, down from 2.37m the year before. It was the first time since 1988 that deliveries failed to reach 2m cars and exceeded the previous sharpest decline in sales, seen in 1975, when registrations dropped by 17.9 per cent.

Small French daily launched

A new French daily newspaper, small in price and format, was launched yesterday, aimed at young and hurried city dwellers, Reuter reports from Paris. Called Infomatin and smaller than a *tabloid*, for easier reading in crowded public transport, it sells at half the price of most other national daily newspapers.

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Dutch ponder scope and limits of healthcare options

Insurance reforms prove main stumbling block to a unified system, writes Ronald van der Krol

Late last year Dutch television viewers were treated to a stark view of the choices which may confront the country's much-praised healthcare system.

A studio audience was presented with the medical histories of two patients seated on stage. The audience then had to decide which case should receive funding from the healthcare system's finite financial resources.

One programme featured Mrs Carmen de Bruijn, a 29-year-old mother seeking a breast reduction operation to alleviate back pain. She was pitted against Mr Kees Brink and his wife Ms Pauline Linthorst, who had elected to be sterilised during her previous marriage but now wanted to have children.

The studio audience voted 25-to-20 in favour of the Fl 7,100 ($3,730) breast reduction operation and against a Fl 4,200 invitro-fertilisation attempt for the childless couple. The series, entitled "A Matter of Life and Death", came under fierce criticism. Yet the programme, partially funded by the ministry of health, met its goal of stimulating public discussion about the costs of healthcare.

Last week, the Dutch government launched two fresh proposals aimed at making people more cost-conscious.

Proposed legislation would allow people covered by the national health system to opt for an "own-risk deductible" that would lower their monthly premium charges. Premiums would also fall for any patient not filing claims in any given year.

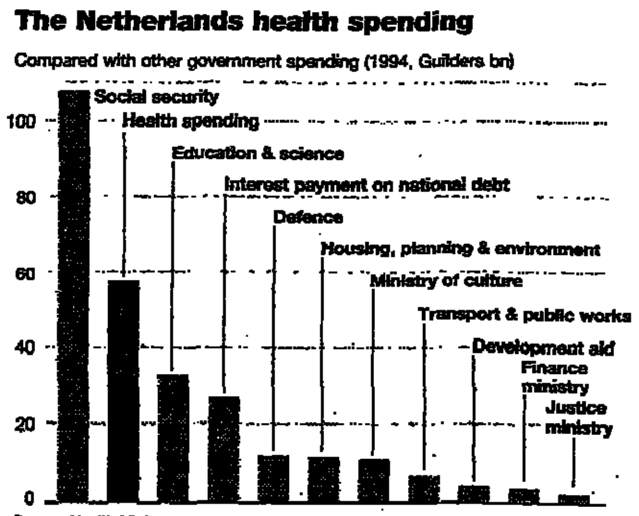
Finally, patients would be able to volunteer to pay all their medical bills and later be reimbursed by the national health system.

These options are already available to people who are privately insured.

The Netherlands has been confronting the prospects of wide-ranging health insurance reforms for nearly 10 years, though little has been achieved so far because of continuing political controversy.

The Netherlands health spending

Compared with other government spending (1994, Guilders bn)



Source: Health Ministry

With a national election in May, little progress is expected over the next few months. The momentum for reform also slowed because Mr Hans Simons, the secretary of state for health and the main proponent of reform, plans to leave national politics to seek office at the local level.

The Dutch health insurance system has three tiers, but only one level of care. People earning less than Fl 56,000 per year receive compulsory coverage from a network of regional, semi-public, non-profit health insurers.

Higher earners are free to take out private health schemes from a range of competitors. And the government takes care of long-term treatment for the chronically ill or the mentally handicapped through Exceptional Medical Expenses Insurance (AWBZ), which is paid out of taxes.

More than 60 per cent of the population is covered by the compulsory scheme, with nearly 30 per cent covered by private-sector companies, one of the highest percentages in Europe.

While there are few complaints about the quality of care in the Netherlands – hospitals are well-funded and alternative therapies are often covered by insurers – the government believes that there should be more competition between insurers.

It wants to merge the three separate types of financial flows into one system, so that healthcare choices are more efficient and cost-effective. "Under the present system, insurers sometimes prefer to see people stay in residential, nursing-home care because this is paid for by the government. This is true even when home help would be better and cheaper," a health ministry spokesman said.

Debate about the funding of health care began in 1986, when Mr Wisse Dekker, a former management board chairman of the Philips electronics group, was asked to review the system.

A year later, the Dekker Committee proposed that everyone be covered by one basic health insurance package, ending the split between public and private insurance schemes.

More controversially, the proposed basic package would cover only 70 to 80 per cent of the existing, all-inclusive package. Although details were never worked out, people wanting to insure themselves against the cost of physiotherapy, for example, might have to take out supplementary insurance.

Mr Simons, a Labour politician, rejected some of the measures, urging that the basic health package should be as comprehensive as possible, avoiding the need for supplementary coverage.

In contrast to the Dekker plan, which called for half of total insurance premiums to be linked to individual salaries, Mr Simons wanted 80 per cent to be determined by earnings, putting a greater burden on the better paid.

In the end, Mr Simons has had only partial success in his attempt to take the AWBZ fund and turn into a forerunner of a single form of national health insurance.

Rehabilitation treatment and medicines have been transferred to the AWBZ, but more basic coverage – hospitals, general practitioners and specialists – still remains in the two-tier, public-private system.

As long as this is the case, the Netherlands is far removed from the goal of creating one "pot" of healthcare money from the various "little pots" characterising the system.

This is the 12th article on welfare states around the world. Previous articles appeared on October 25, November 3, 8, 17, 19, 24, 30, December 10, 15, 31, and January 5

NEWS: NATO SUMMIT

Clinton plan fails to allay Polish fears

By Christopher Bobinski in Warsaw

The Polish government yesterday grudgingly endorsed President Bill Clinton's Partnership for Peace proposal, calling it "an insufficient step in the right direction".

President Lech Walesa, who is due to go to Prague for a meeting with the US leader tomorrow to tell him of Polish disappointment at Nato's failure to open up more to the central European countries, has been pressing in recent days for a firm commitment for central European membership of Nato from the Brussels summit. He has also criticised the plan proposals as not going far enough to ensure the security of the region.

Mr Andrzej Olechowski, the Polish foreign minister, yesterday put a brave face on the issue, however, and said after a cabinet meeting attended by the president that Poland would accept the US proposal "after we have seen the details", adding that "the proposal goes in the right direction."

"After all," he continued, "now we are in the waiting room – before there wasn't even any talk of Nato membership." He added that Washington had publicly stated in the past few days that "the security of Poland and the other countries of the region was of material interest to the United States", which he viewed as the administration's most far-reaching statement to date on the issue.

Mr Olechowski was speaking in the wake of an announcement that Mr Vladimir Zhirinovsky, head of the far right Liberal Democratic party, the second largest fraction in the new Russian parliament, was planning a visit to Poland. Mr Zhirinovsky's strong showing in the Russian elections has rekindled Polish fears of their neighbour.

Mr Olechowski warned that should Mr Zhirinovsky do anything construed as being against Polish interests, he would be expelled .

Zhirinovsky again warns on moves east

By Leyla Boulton in Moscow

Mr Vladimir Zhirinovsky, the nationalist whose victory in Russian parliamentary elections has precipitated a rush of applications among Russia's neighbours to join Nato, said yesterday that any expansion of the alliance would lead to World War Three.

"It would be a huge mistake and a tragedy for Nato, Europe and the whole world if they move to take in our neighbours," he told reporters. "This would mean Nato took the path of preparing for World War Three against Russia." His latest statements, the tone of which changes to suit his mood or domestic audience's requirements, followed earlier attempts to woo western opinion by declaring his adherence to democracy, peace, and a desire to meet US President Bill Clinton.

"We will not allow a single foreign division near Russia's borders. Any military unit which receives orders to move towards Russia will be exterminated," said Mr Zhirinovsky. He also predicted yesterday that the Baltic states, which already have their own fledgling armed forces and are among those states which want to join Nato, would be reabsorbed by Russia of their own free will to deal with their economic problems.

Meanwhile, the reformist, pro-western Russia's Choice bloc announced yesterday that its strategy for dealing with a man it describes as a fascist threat to mankind was to try to get him prosecuted for warmongering talk. "Many of the actions and declarations of (Zhirinovsky's) Liberal Democratic party are clearly covered by articles of the existing criminal code," said Mr Yegor Gaidar, the leader of Russia's Choice. "We have drawn this informally to the attention of the general prosecutor's office and will do this formally."

Meanwhile, a senior western diplomat has warned that Nato will get the worst of both worlds with its hurried US-inspired response to new applicants. On the one hand it is promising security guarantees it is not yet in a position to offer these countries, while on the other, he said, making it more difficult for reformers in Russia to hold the line against ultra-nationalists.

Wörner call to avoid dividing Europe anew

Opening the Nato summit, Mr Manfred Wörner, secretary general, set out five "tremendous challenges" for the alliance. The following are extracts:

"First, the transatlantic relationship and its importance have to be reaffirmed. Our support for the European security and defence identity must be equally clear and firm.

"Transatlantic solidarity and European integration are not alternatives, let alone contradictions. Europe must gain in unity and strength, in order to assume its share of responsibility in our alliance.

"This is as much in the interest of the alliance as of North America and of Europe. Nato reform and European integration have to be seen in connection to each other...

"Second, in order to stabilise the whole of Europe we have to give a new quality to the co-operation with our partners. The initiative Partnership for Peace does exactly this...

"We will not allow anyone or anything to manoeuvre our alliance into a false alternative: to have to choose between Russia and the other co-operation partners.

"Our message to Russia has been consistent and clear ever since, after our summit in London, you sent me to Moscow to extend the hand of friendship: 'Yes' to an ever-closer partnership with a democratic and reformist Russia – 'No' to any revival of expansionism...

"Our message to the new democracies of central and eastern Europe has been equally consistent: We shall not leave you alone. We care about your security, which is of direct and material concern to us. And when we extend membership of Nato to new democracies of central and eastern Europe, it will be to help stabilise Europe and not to divide it again.

"Third, we have to improve our alliance's crisis management and peacekeeping capabilities. In particular, we should be ready to use Nato as the forum for achieving concerted views early in a crisis...

"Fourth, we have to adapt our structures to allow Nato to fulfil its new missions. A significant level of American forces permanently based in Europe will remain an indispensable component of our common security... At the same time, alliance structures must be developed in such a way as to enable the forces of European allies to operate under Western European Union auspices, if need be. However, more flexible structures will serve our purpose only... if we maintain an adequate level of well trained and well equipped armed forces backed up by adequate resources.

"Fifth, we have to prepare for the new security risks, particularly from proliferation of weapons of mass destruction. Non-proliferation is and I think will remain our priority, but it may not suffice. So we have to look also at the appropriate means of protection of our member nations and citizens."

Nato's unequal Partnership for Peace

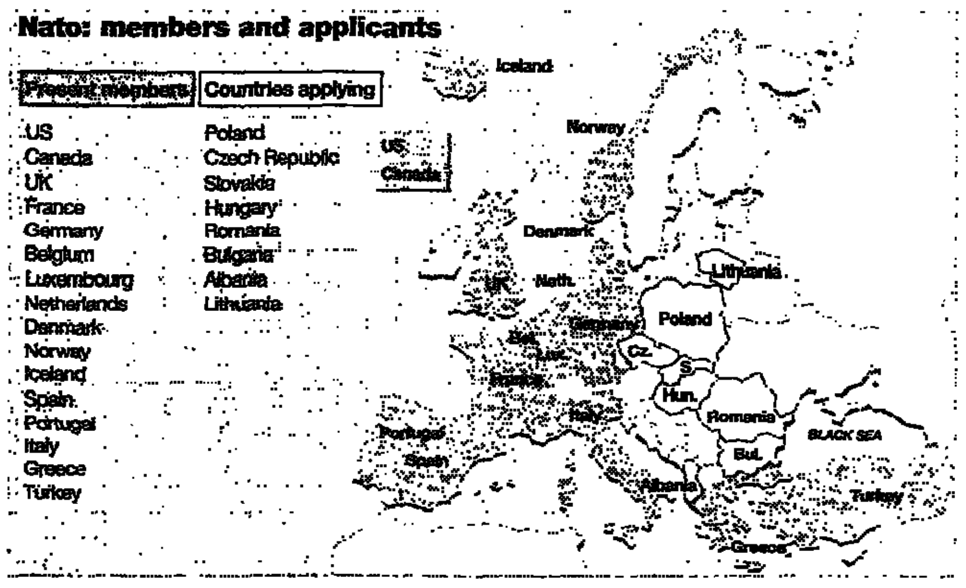
The US idea for a bigger alliance fails fully to satisfy the former east bloc states, writes **David White**

Even before it was launched at the Nato summit yesterday, the alliance's Partnership for Peace plan had lost some shine.

The plan, a US inspiration, was conceived three months ago as a means of placating both the central European countries seeking Nato membership and the Russians, worried about being left out in the cold.

Publicising the idea at such an early stage may have been a tactical error, some officials at Nato now believe. It became clear that the plan would fully satisfy none of the main countries at which it was directed – neither central European nations such as Poland, because it gives them no explicit security guarantees, nor the Russians, since it is billed as a prelude to the expansion of Nato closer to their own borders.

Invitations to negotiate individual Partnership for Peace agreements are being sent to all the former Warsaw pact countries, including Russia and other Soviet successor states in Europe and central Asia. Other European countries – neutral and non-aligned – may also seek to participate. Altogether the plan could involve Nato in military co-operation with 30 or more countries.



First discussed at an informal meeting of allied defence ministers in the German Baltic town of Travemünde in October, the idea provided an elegant way of resolving, or at least postponing, a Nato dilemma. Alternatives under discussion at the time included the creation of some kind of Nato affiliate status. Partnership for Peace offered the advantages both of avoiding any new legal arrangement – Nato's treaty makes no provision for associate membership – and of appearing to be even-handed with respect to Moscow and its former military satellites.

Nato officials have in the meantime worked hard to inject practical content into the proposed agreements. The alliance is eager to stage the first joint field exercises in peacekeeping this year. A "planning cell" will be set up at Mons in Belgium, site of Nato's European military headquarters.

Although participants are warned that co-operation will not be a military aid programme, Nato expects to have to stump up initial funds. These will not be huge in relation to allied defence spending – Nato sources suggested yesterday that "we can do significant things for less than $10m (£6.7m) in the initial phase". But the plan will nonetheless require extra contributions to Nato funds.

The plan is being launched separately from co-operation programmes under the 22-nation North Atlantic Co-operation Council, which was set up two years ago as a forum for Nato to deal with its former foes. The NACC, often criticised for being little more than a talking shop, will continue to be for the purpose of wider consultations. Under the partnership agreements, or PFPs, countries will be able to consult individually with Nato if their security is endangered.

However, allies have resisted formally extending to PFP partners the provisions of Article 4 of the North Atlantic Treaty providing for automatic consultation when "the territorial integrity, political independence or security of any of the parties is threatened". This, it was feared, would have encouraged countries to seek protection under the treaty's following article, which pledges mutual assistance on the basis that an attack on one is considered an attack on all. However, Mr Manfred Wörner, Nato secretary general, said in his opening statement yesterday that the alliance's message to central and eastern European countries was: "We shall not leave you alone." The PFP plan is presented as being non-discriminatory. But in practice it will result in several different levels of co-operation.

Nato's aim is that it should act as a filter for genuine candidates eventually to join the alliance. The communiqué to be issued today will state that allies "expect and would welcome Nato expansion that would reach to democratic states to our east as part of an evolutionary process". A less explicit version, simply reaffirming that the alliance remained "open to the membership of other European countries", as stated in the North Atlantic Treaty 45 years ago, was rejected.

US President Bill Clinton said the plan would "advance a process of evolution for Nato's formal enlargement". In a distinct difference of nuance, Mr John Major, UK prime minister, said yesterday it "could" lead to the admission of new members. Mr Major emphasised that countries wanting to join had "much work to do". Departing from previous policy of not naming names, he hinted strongly that Poland, the Czech Republic and Hungary would have priority. UK officials said that Slovakia, the fourth member of the so-called Visegrad group, would have "a different timetable".

India faces sweeping insurance changes

By Stefan Wagstyl in New Delhi

India is likely to announce sweeping changes to its tightly-controlled insurance industry, including moves to end the state's long-standing monopoly of insurance and open the industry to foreign companies.

Mr Manmohan Singh, finance minister, is expected to outline his plans for the industry's biggest upheaval since life insurance was nationalised in the 1950s, in his 1994-95 Budget speech, due next month.

Insurance industry reform is seen as an important element in the general overhaul of India's financial markets, which in turn forms a central part of the government's economic liberalisation programme.

The basis of the officials' actions will be a report presented last week to Mr Singh by a government-appointed committee headed by Mr R.N. Malhotra, a former governor of the Reserve Bank of India.

Mr Malhotra and his colleagues recommend privatising the two state-owned giants of the industry, the Life Insurance Corporation and the General Insurance Corporation, which handles non-life insurance. With their subsidiaries, the two corporations have virtual monopolies in their markets.

Reflecting India's cautious approach to privatisation, the report recommends the state should retain 50 per cent stakes in each corporation. To promote competition, the General Insurance Corporation's four operating subsidiaries should be made managerially independent.

The report proposes foreign insurers wanting to enter the Indian market should be encouraged to invest through joint ventures with domestic partners, rather than on their own. The committee suggests new entrants should face tough conditions, including a minimum capital requirement of Rs1bn (£21m) and a pledge to carry out a fixed minimum amount of business in rural districts.

Indian industrialists have complained the proposed minimum capital level is too high and will discourage potential entrants, though it is unlikely to prove a hurdle to big foreign insurance groups eyeing the Indian market, notably Sun Life of the UK which has a joint venture with the Life Insurance Corporation selling insurance to Indians in Britain.

The extent to which the finance ministry will implement the report will depend on the reaction of the industry's trade unions, concerned liberalisation could bring job cuts. The All-India Insurance Employees Association has demanded the report be rejected outright. Similar protests from bank trade unions have persuaded the government to proceed cautiously with reforming banks.

Nigeria abandons market reforms

By Paul Adams in Lagos

Nigeria's 1994 budget has abandoned market reforms begun in 1986 and reintroduced economic controls which critics say has set the clock back nine years.

A foreign exchange rate fixed at N22 to the dollar, interest rates of 12 to 15 per cent and a ban on free repatriation of export proceeds appear to have killed any hope of Nigeria reaching agreement with the IMF during the mission to Lagos later this month.

A deal with the IMF could have opened the way to fresh funds and substantial relief on servicing Nigeria's $30bn external debt which is more than $6bn in arrears to the Paris Club of sovereign creditors.

The budget leaves a question mark over the future of Mr Kalu I Kalu, recently appointed finance minister for the second time, who is known to favour complete deregulation of the economy and an agreement with foreign official creditors as soon as possible.

Nigeria has not serviced its Paris Club debt for two years, since the last rescheduling agreement and talks with the IMF and World Bank failed last year over the government's foreign exchange rate policy, lack of transparency in oil revenues and heavy subsidies on domestic fuel.

The speech reflects the concerns of manufacturers who claim that they are being forced out of business by high interest rates and lack of foreign exchange.

"They have thrown out the baby with the bath water," said Mr Atedo Peterside, a merchant banker in Lagos last night. "We could have had fiscal discipline and some tariff reforms which would have given manufacturers 90 per cent of what they want without giving up all the gains of deregulation since 1986."

Deregulation got a bad name under previous head of state Gen Ibrahim Babangida, but some of his reforms were welcomed by the private sector. Gen Abacha's budget is likely to drive much foreign currency trading underground.

Two months after seizing power Gen Sani Abacha said in his first economic policy statement that Nigeria would strive to reach accommodation with the foreign creditors, but seems to offer them little.

He has budgeted for a large state surplus in 1994 of over $5.5bn which would allow room to pay external debts but it is not clear how the government can achieve it. The budget provides for $11.5bn revenue, nearly 50 per cent more than in 1993 when the assumed oil price was 35 per cent higher.

Malaysian market peril

By Kieran Cooke in Kuala Lumpur

Those with shares in the Kuala Lumpur stock market, south-east Asia's biggest in terms of market capitalisation, should reconsider their position very carefully, Mr Daim Zainuddin, former finance minister, confidant of Prime Minister Mahathir Mohamad and treasurer of Malaysia's dominant political party.

The Kuala Lumpur market index went up 98 per cent last year. Average daily turnover has risen from about M$200m (£51m) a year ago to more than M$3bn.

"We have reached a dangerous stage," Mr Daim told the Malaysian government news agency. "Almost everybody is getting into the market. Everybody is busy on the phone. Nobody seems to be working. Everyone talks about shares. This will affect productivity and lower productivity will affect our economy."

Mr Daim said the Kuala Lumpur market was due for a big correction after its recent strong rise. "The big question now is when. But when the fall comes, the damage is going to be massive because the market has gone up too steep, too fast" he said. "The government will not bail out anybody."

Not only is Mr Daim a well connected political figure, he is also reputed to be one Malaysia's richest men who has been behind many of the country's biggest corporate restructurings – and an avid stock market player.

He said he had already "cashed out".

Teenagers in Sydney's Elanora Heights suburb yesterday enjoying a heavy rain shower that gave some help to firefighters AP

A$100m fire claims feared

By Emilia Tagaza in Melbourne

Damage from bush fires raging across the state of New South Wales could reach A$100m (£45.2m) in insurance claims for burned-out homes and businesses.

The fires, the worst in the state for 50 years, have so far claimed four lives, burnt out 600,000 hectares of land, destroyed 185 homes and damaged 130 others. More than 20,000 people have been evacuated, including residents of Sydney's northern and southern outskirts, since last Thursday.

The Insurance Council of Australia said that by Sunday, the damage bill to houses was A$50m, with another A$50m for damage to commercial properties. The New South Wales government also faces losses of about A$50m in forest assets plus $10m in lost annual royalties. There have been no estimates on rural properties and livestock.

The authorities do not see an immediate end to the disaster. Rain and cooler temperatures yesterday provided relief to nearly 10,000 firefighters, helping to contain the number of fires to 135 from the Saturday peak of 155.

More than 2,000 of the firefighters have come from other states.

HK seeks extra cash for airport

By Simon Holberton in Hong Kong

The Hong Kong government is to ask local lawmakers to approve an extra HK$1.7bn (£148m) to sustain the colony's airport project in the absence of a comprehensive financial agreement with China.

The money is needed to push ahead with building necessary works for the airport on Chek Lap Kok, an island off the northern shore of Lantau.

Officials indicated yesterday they will ask the Legislative Council's finance committee to approve the awarding of contracts worth HK$1.29bn to build the airport's foundations, baggage handling facilities and an underground "people mover". The government is also seeking an additional HK$377m for head office expenses for the Provisional Airport Authority.

Talks between Britain and China about the airport are stalled. The decision last month by Governor Chris Patten to push ahead with his democracy legislation without Beijing's agreement has given the Chinese added cause for delay.

A suggestion made by Britain last week for more talks received no response from Beijing.

Japan signals China policy shift

By Robert Thomson in Tokyo

The Japanese government has signalled an important shift in China policy by indicating that it will be more frank in future discussions on issues such as human rights and China's growing military budget.

Mr Tsutomu Hata, the foreign minister, told Chinese leaders that the two countries should be increasingly direct in discussing sensitive issues, a departure from the traditionally cautious Japanese approach to China.

The Hata visit to Beijing confirmed Chinese officials' concerns that Japan's new coalition government would take a tougher line than past Liberal Democratic party governments, in part, because Mr Hata and Prime Minister Morihiro Hosokawa have strong personal opinions on issues such as human rights.

Mr Hata told his hosts that China has to provide a clearer explanation of the intentions behind a 15 per cent increase in defence spending in fiscal 1993. He also asked China to abide by international guidelines on the transfer of missile technology.

Chinese officials are accustomed to hearing such advice from the US, but it is unusual coming from Japan. However, the Japanese government sees the more direct approach as a sign that ties between the two countries are "maturing", meaning that both sides should be able to speak more freely.

Mr Qian Qichen, China's foreign minister, said his government will attempt to increase the confidence of neighbouring countries in China's peaceful intentions. China, he said, is "actively involved in global efforts to ban nuclear bomb experiments".

The military issue was also raised in a meeting with Chinese President Jiang Zemin who said defence spending has "not increased by much", and the expansion of the budget reflects the effects of inflation in China. But he also insisted that "we need to modernise some weapons".

Meanwhile, Chinese leaders expressed concern at what they saw as an improvement in relations between Tokyo and Taiwan, which China regards as off-limits to official foreign delegations that give the impression the island is an independent nation.

The Chinese comments were apparently inspired by a report that Mr Hiroshi Kumagai, minister of international trade and industry, was planning to visit Taiwan, a report which has been denied by the Japanese government.

However, Mr Hata stood his ground by suggesting that "for the development of China and the development of Asia, we cannot deny the development of Taiwan".

He also asked Chinese leaders to use their influence with North Korea to guide that country away from its suspected development of nuclear weapons.

Mr Hata said Japan would assist China in its campaign for readmission to the General Agreement on Tariffs and Trade.

He discussed the possibility of a new package of low-interest loans to China after 1995, and Japanese officials indicated that the loan negotiations could be used to encourage China to be more open about its military development.

Franc zone 'on verge of devaluing'

By David Buchan in Paris

The 14 west and central African members of the "franc zone" were yesterday reported to be on the verge of devaluing their joint currency against the French franc, in a move urged by the International Monetary Fund to boost their exports.

French press say possible devaluation of the so-called CFA franc, set at 50 to one French franc since 1948, topped the agenda at yesterday's meeting in Dakar, attended by 10 African presidents, three prime ministers and one finance minister, plus the French aid minister and Mr Michel Camdessus, IMF managing director.

A devaluation has been made inevitable by the fact that the Balladur government last year made future budgetary aid to French-speaking African countries dependent on their agreement to structural adjustments with the IMF, and that the IMF, like the World Bank, regards the lack of change in the CFA parity over the past 45 years as a brake on that adjustment.

The Dakar summit is due to agree a FFr360m (£41.3m) recapitalisation of Air Afrique, jointly owned by 11 French-speaking African countries. France is ready to contribute almost two-thirds of this in special advances, provided the 11 shareholder governments put in some new money and renominate Mr Yves Roland-Billecart, who became airline president in 1989 and kept it out of the red until last year.

Thai unions to seek 8% rise in minimum pay

By Victor Mallet in Bangkok

Thai trade union leaders have demanded an 8 per cent rise in the minimum wage for workers and threatened to call a general strike on May 1, labour day, if their demands are not met.

Thailand's trade unions are notoriously weak and divided – it is estimated that less than 5 per cent of the total workforce is unionised – but employers are worried by recent successes of industrial workers and unions in securing wage rises above the inflation rate.

Unskilled labour in Thailand is about five times as expensive as in China, Vietnam and Indonesia, and some investors are moving labour-intensive operations in textiles and shoe-manufacturing from Thailand to those countries.

Many Thai employers and small foreign companies pay their employees less than the legal minimum, but multi-national corporations with reputations to protect usually abide by the law.

A group of five trade unions has agreed to demand a 10 baht (26p) increase in the minimum daily wage, which would raise the pay of a worker in Bangkok or the surrounding area to 135 baht from 125 baht; minimum wages in other regions are slightly lower.

They say they have based their demand on the growth rate of the country's economy; this is running at about 8 per cent a year, while inflation has fallen to 3.5 per cent.

The 10 baht claim is regarded in Thailand as a moderate opening bid by the standards of previous negotiations. "I think this is a bargaining statement," said Mr Chalongphob Sussangkarn, human resources director at the independent Thailand Development Research Institute. "This year their demand seems to be more moderate."

Thai trade unions, which suffered under a succession of military regimes, are able to operate more freely under the present democratically-elected government; the ruling coalition is in the process of rescinding a ban on trade unions in state enterprises.

Union power, however, is undermined by Thailand's reserve of poor, rural job seekers who migrate to the cities, whereas Malaysia and Singapore are short of workers.

Tajikistan plans to introduce rationing

Tajikistan plans to introduce rationing in its capital, Dushanbe, to alleviate acute commodity shortages, officials said yesterday, Reuter reports from Dushanbe.

City council officials said ration tickets had been printed and would be distributed soon for meat, flour, noodles, butter, vegetable oil, vodka, soap, rice and tea. Bread is not to be rationed.

The move is part of a general attempt to improve the basic standard of living in Tajikistan, which remains one of the poorest of the former Soviet republics, having never recovered from civil war in 1992. It follows the Central Asian state's adoption of Russia's rouble as its currency last Saturday, when it dumped the old Soviet-era roubles used for decades.

IAEA predicts N Korea talks

The International Atomic Energy Agency (IAEA) said yesterday it expected further talks with North Korea this week on inspection of seven declared nuclear sites, Reuter reports from Vienna.

But IAEA spokesman David Kyd said no immediate progress was expected on two undeclared sites suspected of involvement in a covert nuclear arms programme. "That issue is very definitely being rolled over," he said.

Curbs on Gulf money changers

The United Arab Emirates yesterday tightened control over money changers, who do brisk business in the Gulf state because of its large foreign population. Reuter reports Abu Dhabi. Managers of exchange houses must prove they are qualified.

There are more than 30 exchange houses throughout the UAE.

UK tornado sale 'on course'

The sale of 48 Tornado fighter-bombers worth £3bn to Saudi Arabia is "on-going and on schedule", despite Saudi budget constraints, Mr Malcolm Rifkind, Britain's defence secretary, said in Kuwait yesterday

Singapore to end appeal right

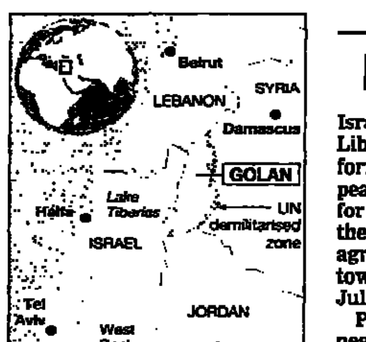
Singapore is to do away with all rights of appeal to the Privy Council in Britain, Kieran Cooke reports from Kuala Lumpur.

Golan pioneers refuse to surrender a life's work

Julian Ozanne reviews local obstacles to a settlement over the strategic heights bordering Syria

Ramona Bar-Lev settled in the Golan Heights in 1969, two years after Israel captured the strategic plateau in a counter-offensive against a Syrian attack.

"We are not climbing down from the Golan," she says. "The government can't talk about the Golan as if it was still 1967. It is now 1994 and we have given all our life to this place. We are the reality today."



The views of the 13,000 Israeli settlers on the Israeli-occupied Golan Heights are unlikely to be given much weight when President Bill Clinton meets President Hafez al-Assad of Syria in Geneva on Sunday. The two leaders will discuss making progress in peace talks between Israel and Syria which focus on an Israeli return of the Golan in exchange for peace with Syria including trade and diplomatic ties and security guarantees.

In Israel, however, the plight of the Golan settlers – praised and financed by successive Israeli governments – has ignited widespread public support and sympathy. Across Israel banners and stickers express public solidarity with the settlers. Sacrificing the settlers in the interests of peace will not be easy for a democratic government with a thin majority and mounting opposition to the peace process.

Furthermore, if Israel is about to give up Golan for peace with Syria, the Jewish settlers and investors do not resemble a population about to be displaced. They are busy expanding their businesses and building new red-tiled roofed homes with government approval and subsidies.

Many Golan residents simply refuse to accept the government would surrender the sparsely populated Golan Heights which is viewed as vital for Israel's security and water supply.

Last week Mr Binyamin Ben-Eliezer, Israel's housing minister, officially opened a government-built 700-house extension of Katzrin, the main Golan town, and vowed Israel would "not abandon the residents of the Golan Heights".

"The government says one thing but keeps encouraging us to stay here. There will be no change because the government does not believe in giving up the Golan and knows it can have peace with Syria without doing so," said Mr Uri Meir of the Golan Development Company which encourages new investment.

"I have grandchildren born on the Golan and I have spent the last 26 years working to make the Golan something special. I cannot believe I will ever leave the Golan and start a new life at 46 years-old."

Mr Meir says the Golan contributes $200m to the Israeli economy annually from agriculture, industry and tourism. This year a chocolate factory and a producer of door frames will join more than a dozen other businesses at the Katzrin industrial site. All investors receive a 30 per cent grant from the government.

The Golan Heights Winery, one of the existing investors has just started a $5m three-year expansion programme, adding to its investment of $15m since 1983. The expansion plan will double production to 340,000 cases by 1999, much of it for export to the US and Europe.

"The government is supporting this expansion because it believes in the long-term profitability of our company," said Mr Doron Rand, the marketing manager. "The government talks about changes but there are many ways to make changes without us going down from the Golan. On a business level we are going ahead as if nothing will change. Our future is here."

The confidence of investors and settlers on the Golan reflects the special importance attached to the Heights by Israel. Since 1967, the Golan, which is strategically positioned above Israel's northern valleys, has been seen as the country's most vital defence line. Unlike the other occupied Arab lands, Israel annexed the Heights in 1981. Control also ensures the security of the basin of the Sea of Galilee which supplies 30 per cent of Israel's water resources.

Golan residents say they are different from settlers in the West Bank and Gaza Strip where there is a Palestinian population dispossessed of its land. Before 1967 the Golan was a military area with only a handful of Arab villages. "The Golan today is the ultimate model of pioneer-Zionist accomplishment," says a campaign leaflet.

Mrs Leora Dormann, a teacher, moved to the Heights in 1981 and lived with her husband and two children in a caravan. "The politicians told us we were the pioneers of the 1980s. We were idealistic and we believed we were doing something for the country making it safer and building something from scratch," she said.

"Many of our friends died defending the Golan. We are going to object, protest and fight against it and we are not going to go peacefully or easily and I am going to fight with my kids and my pupils. We are not fanatics but it hurts. It is as if the government is now saying we have to throw away our lives – all that we did here."

Not all the Golan settlers are as determined. Some are ready to leave but are waiting for the government to offer compensation. "When people heard about the Clinton-Assad meeting here they said we are getting closer," said Mrs Sue Korda, a resident of Kibbutz Ein Zivan, close to the Syrian border.

But those who want to stay outnumber those who want to leave and, buoyed by recent opinion polls of Israeli support for keeping the Golan, they are ready to fight a fierce campaign to stay put.

ISRAEL AND PLO RESUME TALKS

Israel and the Palestine Liberation Organisation formally resumed suspended peace talks yesterday as Syria, for the first time, welcomed the Israeli-Palestinian peace agreement as a first step towards Middle East peace, Julian Ozanne writes.

Palestinian and Israeli negotiators met after three weeks of bickering in the Egyptian Red Sea resort of Taba to try to end a stalemate over three main issues blocking implementation of the Palestinian self-rule agreement: control over borders: the size of the West Bank area of Jericho and security arrangements for Jewish settlers.

The two sides are also divided on how long it will take to draft a final protocol, with the PLO saying within three weeks and Israeli officials predicting the talks could last up to two months.

Syria, which has been critical of the Israeli-Palestinian peace accord, yesterday endorsed the agreement. A communiqué issued in the name of six Gulf States, Egypt and Syria said the Israeli-Palestinian accord was a first step towards regional peace.

Ford, Mazda may produce European car

By Kevin Done, Motor Industry Correspondent, in Detroit

Ford and Mazda, the US and Japanese carmakers, are to begin negotiations shortly which could lead to the production of cars at a Ford plant in Europe for sale under the Mazda badge in European markets.

The cars, modified versions of Ford products, could be built at one of Ford's two plants in the UK, where it has significant excess capacity.

Mr Wayne Booker, Ford executive vice-president, international operations, said European production for Mazda would be one of the priority issues to be examined, as a result of the closer strategic relationship being developed between the two groups.

Ford acquired a 25 per cent stake in Mazda in 1979 and the two groups already have extensive links. Two weeks ago, with Mazda in loss and under growing financial pressure, they announced these ties were to be strengthened with closer co-operation mainly in product planning and manufacturing.

The number of Ford-nominated directors of Mazda is being increased from four to seven; four of these directors are to be appointed to management positions including one as executive vice-president.

"One of the issues is how we help Mazda in Europe," said Mr Booker in an interview with the Financial Times. "The degree of openness that should now be established will allow a different way of evaluating the use of more Ford products."

Earlier talks between Mazda and Ford about European production for the Japanese carmaker broke down in March last year after nearly four years' fruitless talks. Mazda had previously held abortive talks with Saab of Sweden.

The change in Ford's attitude towards collaborating with Mazda in Europe stems from its high level of overcapacity in Europe, where it has been in heavy losses for the past three years.

Mr Booker said Ford now had more spare capacity than envisaged 18 months ago, because of the steep decline in new car demand in west Europe and gains made by its own drive to increase productivity. The choice of Ford plant at which cars would be produced for Mazda would depend on which product was selected. "It looks right now as if it would be Halewood or Dagenham (Ford's two UK car assembly plants) rather than Saarlouis (one of Ford's two German assembly plants)."

JAPANESE IMPORTS UP

The growing taste in Japan for foreign-made cars last year boosted sales of imported cars by more than 9 per cent, according to figures released yesterday by the Japan Automobile Importers Association, writes Michiyo Nakamoto in Tokyo.

Sales of imported vehicles rose 9.1 per cent from the previous year to 201,481 units, marking the first year-on-year rise in three years, the association said.

However, the success of imported cars did not reflect a simple rise in demand for foreign makes but was largely supported by increased sales of cars made by Japanese carmakers at their overseas facilities, which rose by 48 per cent.

Honda, in particular, saw wide demand for its cars made in the US and sales of Honda of America's vehicles jumped 36 per cent to 26,841 units. The company, which has positioned the US as a world exporting base, expects to raise exports from the US to 28 countries including Japan from 41,694 units last year to 75,000 units in 1994.

US, EU in procurement talks

By Andrew Hill in Brussels

Mr Mickey Kantor, the US trade representative, and the European Commission will today begin talks in the hope of reaching a deal on full liberalisation of public procurement contracts by April 15.

The European Union, US and 10 other countries agreed in December to open up lucrative public contracts to full competition in most areas from the beginning of 1996.

But in spite of the impetus given by the parallel Uruguay Round talks on global trade liberalisation, certain areas – including contracts offered by local authorities and utilities below central government level – were left out of the agreement.

The EU has said it will withhold full liberalisation of telecommunications contracts, until the question of sub-federal contracts is resolved.

Mr Kantor yesterday discussed public procurement and other post-Round issues with Sir Leon Brittan, the European trade commissioner, in what both sides described as a "stock-taking" of the Uruguay Round deal.

Mr Kantor and Sir Leon agreed that trade representatives from the "Quad" countries - the US, EU, Canada and Japan - should meet, possibly following scheduled talks among Quad trade officials in Washington on January 19.

The US and EU are particularly eager to press on with the Gatt commitments on opening up access to markets of the four trade partners.

Today, Mr Kantor will press the case for further public procurement liberalisation in talks with Mr Raniero Vanni d'Archirafi, commissioner responsible for the internal market, and Mr Martin Bangemann, telecommunications commissioner.

Brittan: agreed on 'Quad' talks

Kantor: pushing liberalisation

The US has always argued that it is difficult to oblige individual states to open their contracts to further competition. Instead, US officials said Mr Kantor would promise to persuade sub-federal authorities to make voluntary commitments to liberalisation.

The EU and US took their first step in April last year towards a deal on public procurement by opening up markets for services and heavy electrical equipment.

EU directive on utilities 'could increase prices'

By Andrew Baxter

The European Union's Utilities Directive could lead to higher prices for electricity transmission and distribution equipment, dashing hopes that competitive purchasing could reduce costs and benefit consumers, a report* says today.

The controversial procurement directive, which came into force last January, was a key weapon in the European Commission's battle to subject suppliers of goods and services such as utilities to long-term competitive pressures.

The Commission has long believed that the tendency of public agencies to buy equipment and services from domestic suppliers meant costs were higher than if contracts had been allocated on the basis of full and fair international competition, which the directive is aimed at encouraging.

However, a report by Mr Steve Thomas and Mr Francis McGowan of Sussex University says the reverse could be the case for transmission and distribution equipment.

"It may be that the time when procurement liberalisation measures could prove useful has already passed and the rigidities a mandatory requirement would impose could prove counter-productive," it says. "Given the dangerously concentrated nature of the equipment supply industry, a much greater threat to the economic welfare of consumers may be posed by non-competitive forces in the equipment supply industry than is posed by the policies of the electricity supply industry."

In the past, says the report, electric utilities in France, Italy, Germany and the UK could all choose from at least two domestic suppliers for most big items of equipment. Now, following a series of cross-border mergers and takeovers, the option of "buying national" usually does not exist.

With further mergers still likely, no prospect of new equipment suppliers being created and the "worrying history of cartel behaviour" in the supply industry, the assumption that it will always behave competitively looks optimistic, says the report.

The directive also makes it more difficult for utilities to enter into long-term agreements with suppliers to develop and purchase new designs of equipment, ironically a practice that is increasingly common in other industries, says the report. This could weaken the utilities' market power.

**The European Market for Transmission and Distribution Equipment. Publications Office, Science Policy Research Unit, University of Sussex, Brighton. BN1 9RF. £20.*

Shippers draw up battle lines

Container war leaves agreement at sea, writes **Charles Batchelor**

Winter conditions on the north Atlantic are rarely smooth but a dispute between exporters and the shipping lines which link North America and Europe has whipped up a storm.

Conferences – agreements between shipping lines to set prices on a particular route – are a well-established means of introducing certainty into a seasonal business requiring large capital investments. But one newly-established conference, the Trans Atlantic Agreement, has set shippers against the shipping lines and led to a dispute over the powers of the European Council and the European Commission.

The TAA is an agreement between 15 large shipping lines, accounting for about 85 per cent of sailings between northern Europe and the US, to regulate both rates and capacity. Its members include many large container shipping lines such as P&O, Nedlloyd and Maersk.

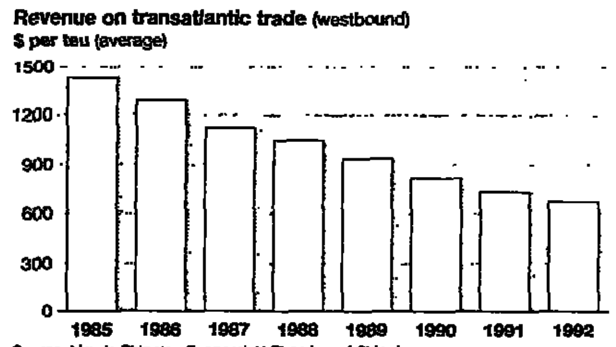
The TAA came into effect in September 1992 and pushed up freight rates by as much as 100 per cent, the shippers claim. The shipowners see in it a chance to reduce their ruinous losses on the north Atlantic.

"When the cost of shipping a container across the Atlantic fell from $1,600 (£1,080) to $800 no-one jumped up and down to say that the shipowners were losing a fortune," comments Lord Sterling, chairman of P&O and president of the European Shipowners' Association.

"All the ship-owning companies are trying to do is to claw back their losses and make sure they don't go bust." The shipping lines estimate their losses on the north Atlantic at $650m over the past four years.

The dip in fortunes

Revenue on transatlantic trade (westbound)



Source. Lloyds Shipping Economist/ Chamber of Shipping

The shippers, for their part, see the TAA as an attempt to extend the normally accepted rules of conference agreements laid down by the United National Conference on Trade and Development (Unctad). They regard it as a dangerous precedent which, if the shipping lines can get away with it, could be applied to other routes around the world.

Shippers' organisations have responded angrily to the creation of the TAA and have lobbied hard for the European Commission to view it as an illegal cartel. The British and French Shippers' Councils have condemned the TAA as damaging European exports at a time of recession.

Guinness, the drinks group which ships large volumes of beer and whisky to the US, estimates that the TAA has added up to £1.5m to its annual shipping costs of between £15m and £20m. "We face a monopoly agreement which has already cost us a significant sum and which threatens to cost us more in 1994," said Mr Chris Scott-Wilson, head of European affairs. "We are very concerned that the TAA can control freight rates and limit capacity almost at will."

The dispute centres on conflicting interpretations of regulation 4056 which exempts liner conferences from European competition rules. Unusually, this regulation, which took effect in 1987, was the work of the European council of ministers and not the European Commission. This led to claims that when the council considered the TAA at the end of last month it was usurping the commission's powers.

In the event Mr Karel van Miert, commissioner in charge of European competition policy, intervened. Last month he issued a statement of objections to the TAA but invited the shipowners to consider a compromise. The dispute between the shippers and the shipowners focuses on three aspects of the TAA:

- Its inclusion of the inland transport of cargoes to and from the ports. The shippers argue that many shipping lines do not own road haulage companies and do not make capital investments in this area.

The TAA argues that what are known as intermodal agreements are a well-established and essential part of contracts.

- The fact that it seeks to control capacity on the routes as well as rates. The shipowners counter that they have taken surplus vessels out of commission and have reduced capacity by 10 per cent over the past year. But there is still excess capacity of 15 per cent.
- Permission for shipping lines to charge differential rates. The shippers say this breaks the normal conference rules which require shipowners to charge uniform rates. The shipowners argue that it is natural for TAA shipping lines to charge varying prices because they offer different levels of service.

Brussels has indicated that if the TAA makes permanent capacity reductions it would look more favourably on the agreement. But it has recently taken a tough line against other conferences which it felt breached the rules, fining two cartels operating between Europe and Africa.

Washington casts cloud over UN peacekeeping

Edward Mortimer examines the consequences of diplomatic friction on prospects for peace

In a grim report at the weekend, Mr Boutros Boutros Ghali, UN secretary-general, voiced grave doubts about the organisation's ability to keep the peace in Somalia after March 31, when US and European troops are due to pull out.

His proposal for a residual force of 16,000-20,000 soldiers was based, he said, on what was available, not what was needed.

UN peacekeeping may have passed its peak, after a year of passion and recrimination in the long on-again off-again romance between the UN and its most powerful member, the US. Ms Madeleine Albright, US ambassador to the UN, does not put it in quite these words, but her message in a recent interview with the FT was clear: from now on the US, in its contribution to UN military operations, will specialise in activities where the risk of casualties is low.

Other governments are getting that message, and the UN secretariat is wondering how many in future will expose their soldiers to risks the US is not prepared to take.

When then-President George Bush addressed the UN General Assembly in September 1992, he spelled out concrete ways in which the US would support Mr Boutros Ghali's Agenda for Peace. For instance, it would train its troops jointly with those of other countries, and incorporate peacekeeping into US manuals of military doctrine.

Under President Bill Clinton these promises have yet to be implemented, although Ms Albright insists they will be. "My sense is, we're getting there," she says, summarising discussions on the subject with high-ranking US officers. "Peacekeeping is a growth industry for the military."

If so, it is an industry with acute growing pains. In Bosnia, the UN Protection Force (Unprofor) has been largely powerless to protect the civilian population, let alone halt fighting. The US refused to send troops of its own unless a peace agreement was first accepted by all three warring parties.

Instead it advocated helping the Bosnian government with arms deliveries and air strikes. When Nato, under strong US pressure, agreed to threaten air strikes if Serb forces continued the "strangulation" of Sarajevo, Mr Boutros Ghali said he would expect to be consulted, since air strikes would have to come within the overall context of the UN operation. This, reported as asserting a right of veto, provoked a marked cooling in US-UN relations.

Worse was to come. The debacle in Somalia on October 3-4, when 12 US soldiers were killed and the body of one dragged through the streets of Mogadishu in full view of television cameras, confirmed the fears of many Americans that Mr Clinton's "multilateralism" meant exposing their troops to unjustified risks, for causes unconnected with US national interests.

Mr Clinton promptly changed tack on Somalia, announcing the March 31 deadline and giving priority to a political settlement between the Somali factions. He blamed the UN for the previous policy, which was to hunt down the recalcitrant warlord, General Mohammed Farah Aideed.

This caused intense resentment at the UN: it was done without consultation, and the hunt for Gen Aideed had been a mainly US enterprise.

Then on October 13 the USS Harlan County, which had been due to land a contingent of US troops in Haiti as part of a UN operation to restore deposed President Jean-Bertrand Aristide, pulled out of Haitian territorial waters, deterred by a crowd chanting that they would turn the operation into "another Somalia".

Ms Albright insists that Somalia "has no connection with Haiti". The Haiti operation, she says, was not peacekeeping or peace enforcement: it was a technical training mission... They only had side arms, and were dependent totally on going into a non-hostile environment." Yet UN officials remain bitter about the US's abrupt and unilateral abandonment of a plan which they had put together under intense US pressure.

As Ms Albright says: "It's easy for other people to make judgments about our troops." What is not easy is for UN headquarters to know whether and when, in the future, it can count on US troops being available.

A "presidential decision directive," setting out criteria by which the US would decide first whether to vote for new peacekeeping forces and second whether to contribute its own troops, was the subject of prolonged argument within the administration last year, and has still not been published. But already the US has become harder to convince on both counts.

The Security Council has become less willing, in Ms Albright's words, to "throw a peacekeeping operation" at every problem which crops up – as was shown in November when it refused a request for a small peacekeeping force in Burundi.

As for US troops, Ms Albright suggests there should, in future, be a "division of labour," with each country doing what it is best at. And what the US is best at, it seems, is such things as "logistical support" or "lift capability," rather than frontline peacekeeping duties. Few now imagine that any US troops will be sent to Bosnia, even if a peace plan is agreed.

Meanwhile, the administration has promised to ask Congress for a supplemental appropriation of about $1bn (£670m) to pay off the US's arrears of unpaid peacekeeping dues. (This year's bill is likely to reach $1.3bn, for which Congress in October voted only $400m.)

The US is assessed for 25 per cent of the UN's regular budget and 31 per cent of the cost of peacekeeping operations.

According to Ms Albright, "fairness dictates that our portion should go down and the amount owed by nations whose economic power has increased dramatically over the past two decades should go up" – a reference to Japan and Germany.

The US is also at odds with Mr Boutros Ghali over attempts to reform the UN bureaucracy. Not satisfied with having its own nominee, Ms Melissa Wells, as undersecretary-general in charge of administration, it is now demanding the creation of a new office of inspector general.

The secretary-general points out that he has already abolished 30 per cent of top posts in the secretariat, and redeployed hundreds of staff from headquarters into "the field". But, he adds drily, "when member states have difficulty in providing their contributions, they have to invent excuses".

Mr Boutros Ghali is anxious to repair relations with the US, knowing that without the positive backing of its richest and most powerful member state the UN can achieve little. But his irritation boiled over when he heard Ms Albright say, in early November, that "by the end of this calendar year we expect to pay more than $1bn in regular budget and peacekeeping assessments". Such figures are meaningless, he says, unless you set them against the size of the outstanding debt.

Ms Albright is equally irritated by his attitude. "The secretary-general overdoes this," she says. "We are the biggest payers... We are providing the bulk of everything." In the wake of November's Nafta vote she is confident Congress will agree to Mr Clinton's request for a supplementary contribition. "But there is nothing people like less than to be badgered, and Mr Boutros Ghali has a tendency to badger."

Madeleine Albright (above), US ambassador to the United Nations: a qualified vote for peacekeeping efforts but irritation with Secretary-General Boutros Boutros Ghali (below) Reuter/AP

Perry likely to join Fed board

By George Graham in Washington

The Clinton administration has narrowed its choice for the next seat on the Federal Reserve board to Mr George Perry, an economist at Washington's Brookings Institution.

Although President Bill Clinton is understood not to have made his final choice yet, his economic advisers have picked Mr Perry from a shortlist to succeed Mr Wayne Angell, whose term of office as a Fed governor expires at the end of this month.

Mr Perry, who was an economic adviser to former Vice-President Walter Mondale in his 1984 election campaign, would, if finally selected by Mr Clinton and confirmed by the Senate, be expected to be less hawkish than Mr Angell.

Inflation has been one of the focuses of Mr Perry's academic work, but some of his writings suggest he sees a trade-off between growth and inflation.

"The demand management chore confronting policymakers is not merely avoiding excess demand, but rather *choosing how much to accommodate inflation* and how much to give up in output and employment in order to suppress inflation," he wrote in an article on demand-pull inflation in an influential economics dictionary.

Curiously, the administration, which has gone to great lengths to ensure ethnic and gender diversity in other appointments, appears relatively untroubled by the fact that Mr Perry is a white male. The Fed, whose seven governors include just one woman and no blacks or Latinos, is probably the US government institution whose diversity shortcomings are most glaring.

● Mr Morton Halperin, whose nomination to head peacekeeping operations at the Pentagon was held up by Republican opposition in the Senate, is reported to have withdrawn his candidacy. The White House had said it would resubmit his nomination, which expired when Congress adjourned last year, but since then Mr Halperin's chief backer, defence secretary Les Aspin, has been asked to resign.

Mr Aspin's successor, Mr Bobby Ray Inman, is not thought to support the newly created post of assistant secretary for democracy and peacekeeping.

Nafta appeal rejected

The US Supreme Court yesterday rejected an appeal arguing that the White House should have prepared an environmental assessment of the North American Free Trade Agreement, Reuter reports from Washington.

The appeal was lodged by the public advocacy group Public Citizen and the environmental group the Sierra Club. They argued that the US Trade Representative's Office should have review Nafta's environmental impact.

The Supreme Court denied the appeal without comment or dissent.

Vietnam and US continue thaw

By George Graham

Vietnam is expected to begin talks with the US on human rights abuses, in the latest tentative step towards normal relations between the two countries.

Preliminary talks between the Vietnamese ambassador at the UN in New York and senior State Department officials could take place this month, and might help eliminate one more stumbling block to a US decision to lift its economic embargo on Vietnam.

Eight US military teams are now engaged in a search for the remains of US servicemen listed as missing in action during the US-Vietnam war, an issue which remains the biggest obstacle to any US decision to normalise relations.

But the pace of official visits by US military and political chiefs has accelerated in recent weeks, and a delegation of senior senators from both parties this weekend called for the embargo to be lifted.

Although President Bill Clinton announced last year that the US would no longer oppose loans from the international financial institutions to Vietnam, and allowed US companies to bid for such projects, US law still forbids normal commercial operations in Vietnam.

Oil leak hits tourism in Puerto Rico

Puerto Rico has launched an effort to protect its tourism industry, the pillar of the island's economy, from the effects of an oil spill which has polluted six miles of beaches in the main resort area of San Juan, the capital, writes Canute James in Kingston.

The local tourism company has launched a publicity offensive and is offering prospective visitors alternative destinations on the island.

The government of the US possession in the north eastern Caribbean is also seeking compensation for economic and environmental damage from the owners of the barge from which the oil started spilling late on Friday.

About half the barge's 1.5m gallons of heavy oil has leaked, polluting beaches and moving towards an ecologically sensitive lagoon.

Revolt unsettles Mexico market

By Damian Fraser in Mexico City

Mexico's stock market fell sharply yesterday morning as traders saw no sign of a rapid end to conflict in the southern state of Chiapas. The market was down nearly 6 per cent at noon, one of the largest morning falls on record.

The Defence Ministry reported late on Sunday that the military base outside San Cristóbal de las Casa had come under renewed attack, and that on Friday rebels belonging to the Zapatista Army of National Liberation had launched another offensive against the city of Ococingo.

Notimex, the state-owned news agency, reported two explosions near a communications tower in Chiapas state on Sunday night, and three that damaged electricity towers in the state of Mexico. The explosions followed four bombs in Mexico City at the weekend.

"The market is worried that the conflict in Chiapas may drag on and that it may not be confined to that state," said Mr Timothy Heyman, head of Baring Securities in Mexico City. "The beginning of a dialogue [between government and rebels] would be construed as a very positive signal."

A senior government official said yesterday the administration was open to all possibilities of dialogue, and would probably make further conciliatory proposals soon. But he said the army would continue to seal off the area. "We have to close the circle around them – we cannot permit the rebels to leave," he said.

Bishop Samuel Ruiz, the controversial bishop of San Cristóbal, accepted a rebel offer to mediate in talks aimed at ending the uprising. But Ms Rigoberta Menchú, the Guatemalan Nobel peace prize winner, said she had rejected a rebel offer to mediate.

The bishop, long critical of government policy in Chiapas, said the rebellion was an "historic opportunity" to end centuries of oppression of indigenous peoples. The Interior Ministry has linked "religious peoples" with the uprising, a charge that has infuriated many in the Catholic Church.

● The International Commission of Jurists yesterday condemned methods used in the Chiapas revolt, saying they were "contrary to national and international law", Reuter reports from Geneva.

The commission, which groups 45 international jurists, urged an end to the "fratricidal strife" between the Mexican army and indigenous people in the state. It also condemned violence by the rebels.

Rate of inflation falls to 21-year low

By Damian Fraser

Mexico's inflation rate slowed to 8 per cent last year, the lowest annual figure since 1972. This was nearly 3 percentage points less than 1992's figure and came at the cost of stagnant economic growth, which in the first nine months of the year was just 0.5 per cent.

The central bank reported that December's inflation rate was 0.8 per cent, the second highest monthly rate last year. It was pushed up by an increase in food prices (1.2 per cent) and education (1 per cent).

The high December figure ensured the annual rate was appreciably higher than the government's revised forecast of 7.7 per cent. The government has forecast an inflation rate of 5 per cent for this year.

Overall, inflation was kept in check by low increases in producer prices, which rose a modest 5.9 per cent in the year.

Inflation in tradeable goods was lower than that in services, suggesting the appreciation in Mexico's real exchange rate helped slow price gains.

● Mexico's finance ministry has authorised creation of six more financial intermediaries, as part of its strategy of opening up the financial sector to more competition. The new institutions will lend money to small businesses, provide mortgages, and in some cases pool credit for business projects within a community.

Caracas returns to price control

By Joseph Mann in Caracas

Venezuela has imposed strict price controls on a "market basket" of basic items amid mounting public discontent over recent price rises fuelled by the introduction of a value added tax.

The Caracas government's decision, unveiled on Sunday night, freezes prices of 11 food items and about 100 medicines. It represents a sharp policy change for Venezuela, which began to eliminate price controls on goods and services in 1989.

Previously the country had a long history of price controls and other forms of government intervention in the economy.

The price control decree is due to expire on March 1, but businessmen fear a new government scheduled to take office on February 2 will be tempted to prolong it.

Mr Jorge Redmond, president of the Venezuelan Industrial Council, which represents manufacturers, called the government decision "lamentable" and "irresponsible," and said it showed that Venezuelans still felt they had to run to the government to solve their problems.

The administration of President Ramón José Velásquez ordered a two-stage introduction of VAT, starting last October, with the second stage introduced on January 1.

Retail prices rose sharply in October and again earlier this month, causing widespread public discontent in a country which has suffered from more than two years of political and social instability.

Sharp increases in petrol prices and transport fares in early 1989 sparked three days of rioting and looting that left about 300 dead.

Some officials are worried that recent price rises could generate fresh riots.

The VAT was designed to provide the government with a more diversified income base and avoid fiscal deficits which have fuelled inflation. Big increases in retail prices since October were caused by a combination of price gouging by some businessmen and a lack of government information on the new tax and how it should be applied.

Glimmer of hope for Brazil's street children

Angus Foster in Salvador visits a pioneering project to rehabilitate and educate a deprived generation

Good news rarely reaches Brazil's street children who are forced to survive amid constant hardship. Last year's murders of children in Rio de Janeiro highlighted the horrors which occur regularly throughout Brazil.

But a project in the country's third largest city, Salvador, has the initial markings of success. From modest beginnings the project is now working with nearly 3,000 of Salvador's estimated 16,000 street children. Most unusually in Brazil, the private sector has become involved and since August about 250 former street children have been found jobs.

Set up in 1991, Projeto Axé is named after a Yoruba word which means the positive force or structure underlying life. Following the project's success it has been praised by Unicef Brazil and the Brazilian government, and is now starting to advise other cities about their street children.

"Of course we've had many failures, but this shows the authorities that programmes like this can work," according to Mr Cesare de Florio la Rocca, the president and driving force behind the project.

The majority of Salvador's street children, as elsewhere in Brazil, have families. But they are forced on to the street usually because their parents cannot or will not feed them.

Most children return home late at night or at weekends and only a small number have broken ties with their families. On the street, younger children often rely on begging while older children, between 10 and 15, mix work with petty theft. Prostitution and drug abuse is common.

In Salvador's busy Praça da Piedade, many children from as young as six years old are already sniffing glue supplied in return for watches and wallets which the children pocket from passing pedestrians.

Children wash in the fountain, watch television in a department store and receive hand outs of clothes and food from a nearby church. "It is the whole structure they need to stay on the street, and they have total freedom too," according to Lilian, one of Axe's "street educators."

Axé has five core activities designed to get children off the street. Since most of the children are illiterate, one of the first tasks is to persuade them to return to school. This is a delicate exercise relying on the skills and patience of the street educators, who often have to persuade reluctant parents as well.

A Brazilian street child washes a car windscreen as it stops at a junction Sean Sprague/Panos

Under an Axé work education programme, older children work in a recycled paper factory, metal furniture shop or with clothing design. There is also a project to teach children music and sports skills.

Children who join the project are given three meals a day, free bus tickets to their place of education or work, and an allowance of about $45 (£30.40) a month. Mr de Florio insists this is not a payment. "It is to help them be able to stop needing to work on the street," he said. Most of the funding comes from Unicef, the International Labour Organisation, the European Union and Save the Children.

Axé is unusual because it has attracted private sector help, especially one of Brazil's largest construction companies, OAS. Mr Carlos Seabra Suarez, executive vice president, heard about Axé from a Brazilian journalist who knew the project was having trouble finding jobs for its children.

According to Mr Suarez, involvement with Axé has been positive for the company and links will be strengthened this year.

By the end of last year OAS had 45 former street children under evaluation, of which 28 had already been approved for full time work. Most are being trained for jobs like carpenters, electricians and steelworkers.

A special centre is now being planned where many more children will be able to gain job training and professional skills. OAS intends to pay the centre's bills of about $1m a year, even though many of the children will be recruited by other, rival companies. "It is not just for OAS but all of Bahia state," Mr Suarez said.

Axé has also placed children with the Salvador municipality, Bahia university and other employers. One project underway will open a hotel in the restored centre of Salvador, known as Pelourinho, where former street children will be trained as hotel staff.

According to Axé employees and outsiders, the project has succeeded for three main reasons. Probably the most important is its professionalism. All 97 staff are professionally trained and regularly retrained. Several, like Mr de Florio, have worked with children for many years.

The project also gives a high degree of independence and freedom to the children. It seeks their agreement rather than trying to force acceptance of discipline and work. Finally, management is decentralised and does not impose on the educational sphere.

For the children, it seems to be working. At an end of term Christmas party for Axé children now back in education, one of them recalled: "When I started I was shouting at my teacher. But I think I've learned some things, thanks be to God".

NEWS: UK

Reynolds reassures Ulster nationalists

By Tim Coone and David Owen

Mr Albert Reynolds yesterday promised Northern Ireland's nationalist community that there would be no return "to the bad old days" of unionist domination under the UK-Irish peace initiative.

In his first substantial speech on the initiative of the new year, the Irish prime minister insisted that majority consent in Northern Ireland was essential for any peace settlement.

But in a passage aimed at Sinn Féin leaders – who have demanded clarification of last month's Downing Street Declaration before passing judgment on it – Mr Reynolds made it clear he thought the scope of the so-called "loyalist veto" was limited.

"It is important to note that the requirement for the consent of a majority is related . . to the constitutional issue," he said. "It does not mean that all forms of political progress or other decisions by the two governments are subject to a similar block."

Sinn Féin has argued that the veto has been able to block political progress in the past and would continue to do so under the terms of the peace initiative.

Mr Reynolds' remarks came as Lord Callaghan, the former Labour prime minister, added his voice to calls for London to provide Sinn Féin with the clarification it has requested.

But Lord Callaghan – who, as home secretary, sent the first British troops into Northern Ireland in 1969 – said the government was right not to negotiate with the IRA alone.

Separately, Mr James Molyneaux, the Ulster Unionist leader, predicted that talks between Mr Michael Ancram, the Northern Ireland minister, and the province's four constitutional parties could lead to an assembly for Ulster by the end of the year.

As unionist politicians hardened their rhetoric, Mr Molyneaux predicted that the IRA and Sinn Fein would reject the joint declaration and said Mr John Major, the prime minister was right not to offer clarification. The document was set out in plain English. He could see no reason why even those of "limited intelligence" could not understand it.

Mr Peter Robinson, deputy leader of the hardline Democratic Unionist party, claimed channels of communication between the British government and the republican movement were still active.

He said further details were being relayed to Sinn Féin through a number of routes including "messenger boy" Mr John Hume, leader of the mainly Roman Catholic Social Democratic and Labour Party.

With parliament resuming today, Mr Hume has been invited to meet Mr Major in Downing Street within a week or two. Downing Street said yesterday it had received the letter sent last week by Mr Gerry Adams, the Sinn Féin president, and would be considering it in due course.

Mr Reynolds said the declaration made London and Dublin "persuaders" for an agreement between people of both parts of Ireland.

Fall in number of business failures in UK

By Vanessa Houlder

The number of UK business failures in the last quarter of 1993 fell to the lowest level since 1989, according to estimates released yesterday by Trade Indemnity, the credit insurance group.

The number of failures encountered by Trade Indemnity's policy holders fell by 46 per cent in the fourth quarter of 1993, compared with the same period in 1992. It registered 942 business failures in the last quarter of 1993, a 21 per cent decline on the previous quarter.

Trade Indemnity said the figures showed a radical change in the business climate in the UK. "Whilst there is usually a seasonal increase in the first quarter of the New Year, it is clear that companies are at last able to concentrate their minds on expansion rather than simply survival," said Ms Barbara Bennett of Trade Indemnity.

The construction industry continues to generate the largest number of failures of any sector, according to an initial analysis of the statistics.

However, Ms Bennett warned that companies' cash flow remained under pressure. "The overriding message from our policyholders at present is one of margins continuing to be squeezed between price pressure from customers and higher cost supplies – particularly imported ones," she said.

"This pressure is unlikely to let up, given future tax increases, so cash flow management will be even more important than it has been over the last three years."

The company said that its statistics, which are based on the experience of its policy holders, tended to reflect trends in failure of more established companies.

It said that historical evidence suggested that its statistics often leads other available insolvency indicators by a period of up to six months.

● Further evidence of a sustained recovery in the UK's housing market emerged yesterday with publication of the latest construction figures from the Environment Department.

These showed the number of new homes started by builders rose, during the first 11 months of last year, by almost 20 per cent to 175,000 compared with the corresponding period in 1992.

This already makes 1993 the best year for housing starts since 1989 when builders commenced work on 201,000 new homes. By 1992 this annual total had slipped to just 156,500.

Housing starts are regarded as one of the best guides to sales by the industry which takes about 12 weeks on average to construct a home.

The number of private sector homes commenced during the first 11 months of last year rose by 18.6 per cent to 134,300. This compares with 120,000 private starts for the whole of 1992.

Dave Power of the National Rivers Authority measures the water which was flooding into Chichester at nearly 3,000 gallons a minute yesterday. There were about 135 flood warnings from the Authority in effect across the south of England, as heavy rain continued, with more forecast

Floods threaten historic town

By Stewart Dalby and Motoko Rich

Despite a respite from heavy rain yesterday the county town of Chichester in West Sussex was last night bracing itself for the possibility that its historic centre could be awash with floodwater by the weekend.

The River Lavant, a normally placid river which has not misbehaved for atleast 100 years, is threatening to burst into the High Street.

There are two main threats. The Lavant has already burst its banks twice since New Year's Eve, flooding the eastern end of the city of 20,000 people.

Twelve families have been evacuated, and although shops have not closed they are all sand-bagged. Several petrol stations are under water.

But the more major and immediate threat is to the city centre. The Lavant river divides at a point called The Hornet in the east of the city and goes through a culvert under the city centre.

The river level fell yesterday, but the town is bracing itself for downpours forecast towards the end of the week.

A dam made of sandbanks is being constructed on the East of the Lavant to contain the flooding, with a further channel made of sandbags is under discussion.

In the area of greatest flooding the peak flow of the Lavant has been around 30m gallons a day, it has subsided to between 12m and 15m gallons a day.

Britain in brief

Director quits City watchdog

The creation of a Personal Investment Authority, the planned watchdog for the City of London, suffered a fresh setback yesterday when one of its directors resigned in protest at the composition of the board.

The move by Mr Jim Stretton, deputy managing director of Standard Life, was backed by his company which became the third leading life office to oppose publicly the plans for the authority.

The setting up of the PIA, a self-regulatory body for retail financial services, has met a series of obstacles. The damage from yesterday's events is more serious because the PIA had previously been gaining momentum amid growing recognition in the financial services industry that the authority would come into effect around the middle of this year.

Changes set on press complaints

Britain's Press Complaints Commission is to abandon its controversial rule that stops investigation of most breaches of the newspaper industry's code of practice when there is no complainant.

The rule has led to inconsistencies. Some complaints by third parties were not taken up although in some cases involving members of the royal family, the commission has intervened when no formal complaint had been made.

The commission will now change its articles of association to make it much easier to adjudicate on third party complaints.

In extreme cases of breaches of the rules on privacy, the PCC's privacy commissioner will be able to recommend that publishers take disciplinary action against the editors responsible.

Milk board postpones end

Plans to open the milk market in England and Wales to competition on April 1 were finally dashed yesterday when the Milk Marketing Board failed to overcome remaining government objections to its proposals to turn itself into a producers' co-operative.

Postponement of the board's demise was agreed at a meeting between Mr Andrew Dare, chief executive, and government officials.

The board, which for 60 years has bought all milk from farmers in England and Wales, selling it on to dairy companies, must now propose a new date for market liberalisation. It is believed to favour July 1.

BBC to launch pay package

The BBC will today unveil a package of fundamental changes to pay, conditions and grading in an effort to make the Corporation more competitive.

The changes flow from Producer Choice, the internal market in BBC services launched last year. Producers now have control over their own budgets and have the right to go outside the Corporation to buy the services they need.

Apart from some differences in terms in separate business units – it was not clear yesterday how much will remain common to all staff throughout the Corporation – it is believed the package will involve an element of performance-related pay.

The BBC confirmed yesterday that there had been talks on pay and conditions but declined to say anything before today, when the process of briefing staff will begin.

BCCI charges expected in US

Mr Swaleh Naqvi, formerly the second ranking manager at the collapsed Bank of Credit and Commerce International, is expected to be charged with fraud by the US authorities and stand trial later this year, the American Justice Department said yesterday.

Mr Naqvi will face Federal fraud charges brought in the District of Columbia, Mr Gerald Stern, the Justice Department's special counsel for financial institution fraud, said. If acquitted there, Mr Naqvi could then face separate charges brought in state courts in New York, Georgia and Florida, Mr Stern continued.

The move follows the agreement reached over the weekend between the US authorities and the Abu Dhabi government. Under this agreement, a civil action against Sheikh Zayed bin Sultan, the Abu Dhabi ruler, is to be dropped in exchange for allowing US prosecutors to have access to Mr Naqvi.

The prosecution would be the first to be brought in the US against a senior Bank of Credit and Commerce International official.

Holiday coach company fails

Charter Coach Holidays, of Harwich, Essex, which specialised in UK and short-haul European trips collapsed yesterday. the company was covered by the Bus and Coach Council holiday bond scheme – the council said it would honour all valid claims in respect of full payment or deposits taken for holidays with Charter Coach up to December 31. It said it did not know how many people were involved.

Ford to launch sports coupe

Ford is returning to the UK sports coupe market for the first time since the demise of its Capri model ten years ago.

It is to launch a US-built successor, the Probe, on March 25. It will compete against rivals such as Vauxhall's Calibra and Rover group's 200 Coupe models.

The model, which is already on sale in North America and Continental Europe, is built at Flat Rock, Michigan, by AutoAlliance, a joint venture between Ford and Mazda, using Japanese-sourced engines. Production is being raised from 80,000 to 100,000 a year this year as a result of its introduction to the UK and other right-hand-drive markets.

Rothmans to cut staff

Rothmans, the tobacco company, is to cut its 270-strong UK sales force "to meet the changing nature of the cigarette market".

A programme of voluntary redundancies has been announced as part of a reorganisation of the field sales staff to be completed by March 22 but no estimates of job losses have been disclosed.

CORRECTIONS

Harrogate toy fair

Sales figures for toys quoted in thousands of pounds in the first edition of yesterday's Financial Times should have been expressed in millions of pounds.

Mercury fee

Mercury's residential connection fee is £10 a year, paid in quarterly instalments, not £10 a quarter as stated in Saturday's FT.

Rank set to bid for national lottery

By Raymond Snoddy

The Rank Organisation is planning to bid for the National Lottery licence largely financed by a consortium of institutional investors.

Mr Michael Gifford, chief executive of the leisure group, has reached agreement in principle with a range of large UK institutions, said to be household names.

If it won the licence Rank would be the operating company. It would probably hold a minority of the equity and choose all suppliers by tender.

Although Rank is a serious contender, it is unlikely to announce formally its intention to bid much before the February 14 deadline.

Details of Rank's plan came as Ladbroke, the hotel and leisure group and MAI, the television, financial services and market research group confirmed their intention to bid, unveiling a heavyweight board for the joint venture, Games For Good Causes.

Mr Malcolm Hughes, managing director of Vernons, the Ladbroke-owned football pool company, is to be chief executive of the lottery consortium. He said yesterday the national lottery, when mature, could raise nearly £1bn a year for good causes.

He also promised that, if successful, the operation would be based in Liverpool, home of Vernons, although it would be independent of the pools organisation.

Ladbroke and MAI would each take one third of the equity, the rest being offered to institutional investors.

All the consortium's technology will be supplied by the UK subsidiary of AT&T/NCR, the communications and computing group which will draw on the lottery equipment of Automated Wagering International of the US.

Eight consortia have so far indicated serious plans to bid for the lottery licence with signs of two further "dark horses" in the wings.

Visible trade deficit narrows to £578m

By Philip Coggan, Economics Correspondent

Recent trade figures may be more accurate than had previously been thought, the Central Statistical Office said yesterday as it reported a visible trade deficit of £578m for October last year, down from £1.1bn in September.

Trade with European Union countries has been recorded under the new Intrastat system since the single market was introduced at the beginning of 1993 and doubts about the accuracy of the new system have been widespread.

Over the period October 1992 to October 1993, the volume of UK imports from non-EU countries showed an 11 per cent rise, while imports from the EU were recorded as falling by 8 per cent.

This led many to believe that the Intrastat system might be under-recording EU imports.

However, the CSO believes that, prior to the Intrastat system being introduced, some imports were mis-recorded as coming from the European Union.

This probably occurred when ships docked at key ports, such as Rotterdam, before transferring goods to the UK. The "point of origin" of such goods was then described as being European instead of being from, say, the Far East.

Under the Intrastat system, which is linked to the collection of value added tax, such imports are now correctly being recorded as from the rest of the world.

As evidence for this theory, the CSO points to the pattern of trade with the Benelux countries (figures for individual EU countries are reported for the first time this month).

In the 10 months to October 1992, the UK recorded a visible trade deficit with the Benelux group of £1bn; in the 10 months to October 1993, there was a surplus of £300m. This, the CSO believes, may help explain the apparently aberrant trade patterns of recent months.

Figures for the UK's trade with the EU are now reported later than those for the rest of the world. The visible trade deficit with non-EU countries in October, at £372m, had already been announced; yesterday's figures revealed that the deficit with the EU was £206m.

Recent trade figures have been fairly erratic with a sharp improvement in August, a deterioration in September and a pick-up again in October. The non-EU balance worsened once more in November, with a deficit of £767m. If the three months to October are aggregated, however, the combined deficit at £2.1bn is substantially lower than the May-July three-monthly figure of £3bn.

Exports in October were a new record, at just over £10.5bn, while imports were £11.1bn. The September figures were £10.3bn and £11.4bn respectively.

However, the October figures were helped by a £536m surplus on oil and erratic items such as aircraft and precious stones.

If oil and erratics are excluded, the October deficit was £1.1bn compared with £1.4bn in September. In volume terms, exports were up 3.8 per cent on September; while imports rose 0.4 per cent.

Meanwhile, the DHL Quarterly Export Indicator, based on interviews with directors of 501 UK companies, found that UK manufacturers are more confident about long term export sales than at any time over the past two years.

Trade with countries inside and outside the EU
Balance of payments basis (£m seasonally adjusted)

	Exports			Imports			Visible balance				
	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	Invisibles balance	Current balance
1991	58,936	44,477	103,413	59,814	53,883	113,697	-878	-9,406	-10,284	2,632	-7,652
1992	60,365	46,682	107,047	64,022	56,431	120,453	-3,657	-9,749	-13,406	4,859	-8,547
1993											
Q1	16,468	13,670	30,136	16,447	16,765	33,212	19	-3,095	-3,076	393	-2,683
Q2	15,401	14,205	29,606	16,241	16,421	32,662	-840	-2,216	-3,056	708	-2,348
Q3	16,121	14,602	30,723	16,359	16,995	33,354	-238	-2,393	-2,631	777	-1,854
May	5,156	4,665	9,821	5,363	5,408	10,771	-207	-743	-950		
June	5,208	4,863	10,071	5,537	5,468	11,005	-329	-605	-934		
July	5,135	4,847	9,982	5,535	5,591	11,126	-400	-744	-1,144		
Aug	5,571	4,905	10,476	5,244	5,633	10,877	327	-728	-401		
Sept	5,415	4,860	10,265	5,580	5,771	11,351	-165	-921	-1,086		
Oct	5,323	5,192	10,515	5,529	5,564	11,093	-206	-372	-578		
Nov		4,810			5,577			-767			

Source CSO

Tories split as Major's campaign for 'basics' falters

As parliament resumes, Kevin Brown looks at immediate prospects for the government

Prime Minister John Major's "back to basics" initiative was mired in a philosophical quagmire yesterday as Conservative MPs struggled to agree on a moral framework for the campaign.

The party appeared deeply split as some ministers insisted that the initiative was not aimed at personal morality, while others said it ought to be.

Conservative MPs on all sides said the prime minister had mishandled the moral backlash which forced Mr Tim Yeo, the former environment minister, to resign over an affair which produced an illegitimate daughter.

The turmoil was worsened by the resignation of Lord Caithness, a senior government spokesman in the Lords, following the sudden death of his wife. A post-mortem confirmed that Lady Caithness died from a single gunshot would to the head.

Mr Major, who is in Brussels, refused to answer questions on the issue.

The party is bracing itself for the possibility of a further stream of disclosures about the private lives of MPs perceived by elements of the media and some constituency activists to be guilty of moral turpitude.

To add to Mr Major's problems, MPs return to Westminster today for the start of a parliamentary session which was always expected to be difficult for the government.

Moral issues will come under the Commons spotlight early in the session, when MPs debate whether to reduce the age of consent for homosexuals from 21 to 18 or 16.

The government will also introduce two controversial law and order measures – the police and magistrates courts bill andthe criminal justice bill – described by Mr Major as crucial to the back to basics campaign.

In addition, ministers will have to decide whether to accept demands for changes to the education bill – another back to basics measure – following a frosty reception in the Lords at the end of the last parliamentary session.

However, the government's most important task will be to agree on a way to clarify the aims of back to basics and defuse attacks by constituency activists on the behaviour of some MPs.

Ministers were sending confusing signals yesterday, suggesting that the government is still groping towards a coherent moral framework for the initiative, three months after it was launched at the Conservative party conference.

Mr Michael Howard, home secretary, said back to basics was "not about drawing up a check-list for individual behaviour in every set of circumstances because that is not something which governments can or should do."

Mr John Redwood, the welsh secretary, and Mr John Patten, education secretary, both said moral issues were important to the government.

"I always feel a child who is brought up without a father suffers terribly. It doesn't matter whether they are married or not – I prefer them to be married myself – but I think the fathers should be there," Mr Patten said.

Mr Patten is understood to favour a tolerant approach to Conservative MPs who transgress traditional moral codes, and to groups such as single mothers which have been criticised by right wing MPs.

But it was this sort of language, employed by right-wing ministers such as Mr Peter Lilley, social security secretary, and Mr Michael Portillo, chief secretary to the treasury, which caused back to basics to be seen as a moral crusade.

Influential backbench MPs also spoke out in favour of a moral approach.

Dame Jill Knight, a vice-chairman of the influential 1922 committee of Conservative backbenchers, said moral issues were a "narrow but extremely important aspect of responsibility."

Mr Bill Cash, a leading right-wing critic of the prime minister, said a policy based on traditional family values was sustainable "despite the fact that a number of people seem to have wandered off course."

There were nervous references at Westminster yesterday to 1963, when the Profumo scandal did much to prepare the ground for a Labour general election victory.

For the moment, however, the controversy is merely embarrassing for the government, rather than dangerous. The spate of disclosures about MPs in the past week has shaken ministers, but party managers believe the damage can be contained as long as the revelations come to an end soon.

FINANCIAL TIMES SURVEY

WEST BENGAL

■ Calcutta: hoping to regain its lost grandeur Page IV

Tuesday January 11 1994

A sense of quiet optimism pervades West Bengal's business community. After a quarter of a century of decline, the state's industrial revival seems very much on the cards. In Calcutta, the eastern seaport which is the natural gateway to emerging Asian nations, there is a strong campaign to revive some of the region's lost glory as India's prime industrial heartland.

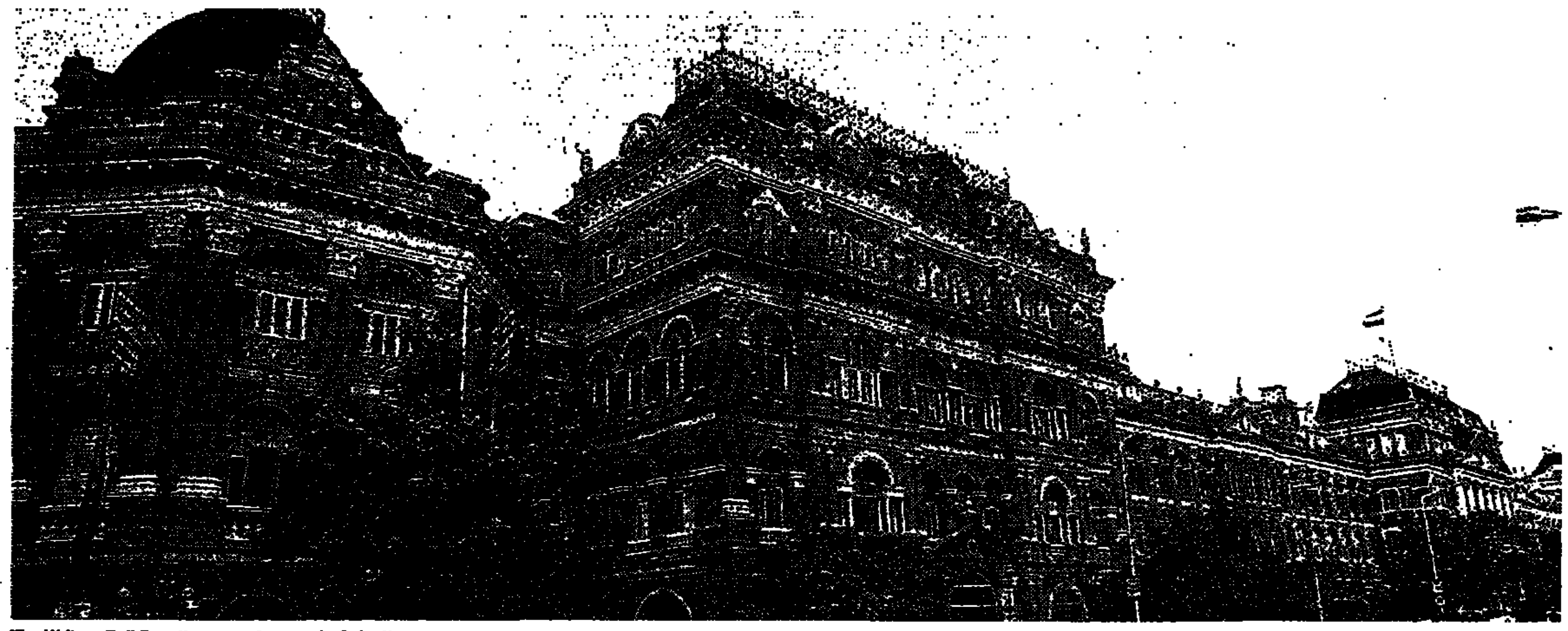
Two and a half years ago, when the Indian government embarked on its economic reforms programme, it seemed unlikely that West Bengal, plagued by power cuts, dead telephone lines and a declining economy, could compete with other states to benefit from the opening up of India's economy. Today, industry leaders are confident that West Bengal, with its strategic location, skilled manpower and wealth of natural resources, will recreate the industrial climate that was allowed to wither in the late 1960s.

There is reason for the optimism. After a period of stagnation, when virtually no new investment was made in the state, over 258 projects involving foreign investment of Rs55.9bn had been cleared by the government up to September 1993. The Marxist state government is actively wooing foreign investment.

There has been a dramatic improvement in power supplies – West Bengal already has a surplus, and new power projects are being commissioned. Telecommunications have been modernised, and telephones actually work. Last month, businessmen, who were forced to travel to Delhi or Bombay for international flight connections, rejoiced when British Airways and KLM resumed operations to Calcutta.

The first signs of an industrial revival came in 1990, with the country's two largest private sector groups – the Tatas and Reliance Industries – investing Rs30bn and Rs3.9bn respectively in a new petrochemicals complex at Haldia and a plastics factory. The Reliance project has yet to materialise, but the interest shown by the two big houses was enough to put Calcutta firmly back on the country's industrial map. The government has claimed that the setting up of a new industrial belt at Haldia, south of Calcutta, could create 150,000 jobs, but work on the Haldia project has been slow in starting.

Other large projects include a Rs7.5bn pig iron plant proposed by the Birlas, a leading Calcutta business group, Tata Iron and Steel's pig iron plant which is nearing completion in Kharagpur, and telecommunications and electronic projects by Siemens and Philips respectively.



The Writers Building, the seat of power in Calcutta

Ashley Ashwood

Climate changes for industry

The Marxist government is wooing foreign investment amid clear signs of industrial revival in the state, writes Shiraz Sidhva

According to the Bengal Chamber of Commerce, industrial investment in West Bengal, which averaged 9 per cent growth a year until the mid-1960s, was falling by 0.5 per cent a year by 1985. The resource-rich region once accounted for over 80 per cent of the country's industry but its virtual monopoly did not survive Independence. Other parts of the country were not obliged to deal with the problems of overmanning which new technology exposed in West Bengal's industries.

Management controls deteriorated and several companies closed when British and other overseas-owned companies were forced to reduce their stakes by the socialist government in Delhi. The political instability brought about by the ultra-left Naxalite movement in the late 1960s accentuated the problem for a while. West Bengal's decline had begun and little was done to arrest the damage for over 25 years, 16 of them under Marxist rule.

"The flight of top management, more than the flight of capital, contributed to Calcutta's slide," says Mr Mumtaz Ahmad, past president of the Bengal Chamber. Companies such as Bata, Britannia Biscuits, Brooke Bond and Lipton moved away from Calcutta. Even though ITC, an associate of BAT Industries, stayed, it invested in other Indian states.

Meanwhile, the national government exercised strict control over new investments so that it could often influence business houses to set up in the part of the country it favoured. "All that has changed now," says Mr Ahmad. "In terms of infrastructure, natural resources like coal, plentiful water and power, and the disciplined attitude of labour, we are all set to compete, industry-wise and state-wise.

"The new investor to India will take the path of least resistance, and the state government has now realised that unless we woo him, he will go elsewhere," says Mr Ahmad, a member of a West Bengal government committee on infrastructure improvement, who was largely responsible for British Airways' return to Calcutta. "India was opening up, and Mr Basu's government realised that if it didn't fall into line, it would be left behind."

Indeed, the Communist Party of India (Marxist) government with Mr Jyoti Basu at the helm, sees no contradiction between its traditional ideology and the encouragement of a free market economy. He once explained the reason for "the change of climate" in the state, saying: "We criticised capitalism, but the capitalism we criticised, no longer exists. Capitalism has changed, and we have to change."

Addressing potential investors in London in September last year, Mr Basu admitted that his government had turned its immediate attention to agriculture "with a special emphasis on land reform for restructuring retrograde agrarian relations."

The West Bengal government has established a successful local self-government system, or "panchayats" at the village level, to allow peasants exploited by feudal land acts to enhance their dignity, and thus their productivity. Almost 50 per cent of the state's plan allocation has been channelled to this decentralisation process, and as a result food output is growing at about 5 per cent a year, one of the highest rates in India.

Better living conditions in the villages have reduced migration to the cities, though the influx from neighbouring states Bihar and Orissa, and from Bangladesh have put a strain on West Bengal's already overstretched urban resources.

Mr Basu believes that agriculture can now serve as a springboard for industry in the state. The chief minister, who many people say is single-handedly steering reform in the state, is keen to develop food processing to augment traditional agro-based industries such as tea and jute.

The development of an electronics industry could, in turn, complement the traditional steel and engineering industries. The potential of export-led, labour-intensive industries has appealed to Mr Basu, who is hard-pressed to solve the state's high unemployment. The example of neighbouring Bangladesh as a leading garment exporter is tempting to follow: the chief minister once remarked that Calcutta had a lot of tailors, but virtually no garment industry.

For the new investor, West Bengal has very real advantages over other Indian regions. The state is rich in mineral wealth – coal, graphite, china clay, granite and other precious minerals. It has a highly diversified agricultural base, and its climate and soil are perfect for horticulture. Technical personnel and skilled manpower are easily available, and the financial services and banking sectors are well-developed.

But many disadvantages have still to be surmounted: an inadequate seaport, a capital city bursting at the seams and virtually no development of satellite townships around Calcutta, or any infrastructure to talk of in the state's hinterland. At Writers Building, the state's seat of power, bureaucracy is rife, with most ministers sitting on mountains of unattended paperwork.

"Change takes time to permeate," says Mr Pradeep Das Gupta, secretary of the Bengal Chamber. "The government has been late in announcing a new industrial development policy, and the sooner this is done, the better. But it is clear that the government means business, and is thinking of an aggressive marketing approach to sell West Bengal to foreign investors."

Mr Krishan Lal Chugh, chairman of ITC, one of the few multinational companies with roots firmly entrenched in Calcutta, believes the "much-maligned city" can become a showpiece for the rest of India. He points out that "power cuts have been banished to Delhi," and that Calcutta, with its reasonable rents and stylish clubs is "the cheapest Indian city for executives to live in today." The labour climate has improved, and the quality of skilled workers and management-level executives is still the best in the country. "Bengal should sell," says Mr Chugh resolutely.

Jyoti Basu, the state's octogenarian chief minister, talks to Kunal Bose

Marxist warhorse puts out a welcome mat

Mr Jyoti Basu, West Bengal's octogenarian chief minister, acknowledges the need for foreign investment in India. "But such investment should be in the priority sectors like power, heavy engineering, food processing and electronics.

"Foreign investment must in the first place satisfy the condition of mutuality of interest," says Mr Basu who, during 16 years of uninterrupted rule, has brought West Bengal back to the serious reckoning of investors.

Since the power sector was opened up to private investment, Mr Basu's government has been talking to the British, German and Japanese "to find out to what extent we can work together."

However, the chief minister is opposed to foreign investment in consumer goods industries. "I don't think we need Pepsi-Cola and Coca-Cola in India. We must not get our priorities wrong."

A veteran Marxist warhorse, Mr Basu nevertheless admits that for "some selfish reasons, I have welcomed the gradual delicensing of industries. When there was licensing, the federal authorities used to discourage entrepreneurs from setting up industries in West Bengal.

"I thought delicensing would put an end to all that. But even now, the financial institutions, controlled by the federal government which provide lines of credit to industries, do not look kindly at investment proposals for West Bengal. We are trying to fight this."

For several reasons industrial investment in the state should now pick up, says Mr Basu. West Bengal's power situation is among the best in the country and investments to create more power capacity should ensure that supply remains adequate in future years. An Indian government report has confirmed that the state's infrastructure is generally satisfactory.

Mr Basu mentions the Birlas, who are planning a significant investment in steel in West Bengal. Also, the Tatas will in the near future commission a pig iron plant. Among the multinationals, Philips and Siemens are fast expanding their production base in West Bengal.

The chief minister's efforts to attract investment to West Bengal from Indian businessmen living abroad have started to produce results. At his invitation, Mr Swraj Paul, chairman of the UK based Caparo Group, is examining the possibility of rehabilitating two engineering companies. According to Mr Paul, "though a Marxist, Mr Basu appears to be ready to go a long way with the federal government so that West Bengal does not miss out on new investments. The political stability, for which the credit almost totally goes to Mr Basu, is a big plus point for the state."

Mr Rama Prasad Goenka, chairman of CESC, which is setting up two coal-fired power complexes in the state, says: "The leadership of Mr Basu inspires confidence among the business community. He alone can bring about West Bengal's economic renaissance."

The chief minister thinks that it works to the advantage of West Bengal that the political parties (constituents of the Left Front) running the government "have some influence over the major trade unions. The political parties use the link to educate the unions about the importance of production and productivity. I think the workers in West Bengal in general are a responsible lot. At the same time, I am aware of the complaints relating to the lack of work culture. Maybe it is true in some cases. We are trying to correct it."

Jyoti Basu: will there still be stability after him?

Mr Basu tells managers of private and public enterprises that they should have "a regular dialogue with the trade unions and workers on all relevant company and industry related issues. They will certainly find the workers responsive. It is only through a process of continuous education that the workers can be made aware of their responsibility along with their rights. I always tell the workers that they must study the state of their industries before they put forward their demands."

As for the privatisation of the 75-year-old sick steel company IISCO, Mr Basu will not say more than that the Steel Authority of India, a central government undertaking, "can rehabilitate IISCO, if funds are made available to it." He does not believe that the solution to the widespread sickness in the public sector lies in "wholesale privatisation".

But he is not against selective privatisation. "We must keep it in view that, as there are very good private sector managements, there are also very bad ones. It will be wrong to believe that in the private sector alone, we will find the panacea to the country's industrial ills. After all, India has more than 250,000 sick private sector units."

Mr Basu explains: "The Marxists are running a Left Front government in West Bengal. But we do not have a socialist programme. After all, we have to function within the

Continued on next page

Shiraz Sidhva on the state's labour relations

The nuances of protest

In Calcutta's crowded business district, traffic not infrequently comes to a halt so that a protest march of workers can go by. After 16 years of Marxist rule, it is not surprising that trade unions in West Bengal are more powerful than their counterparts in other Indian states. A long history of industrialisation and trade unionism has made West Bengal's workers more aware of their rights yet, contrary to popular belief, more disciplined.

"Labour unions in West Bengal are professionally run, and fears that they are more militant than in other states are imaginary," says Mr A.C. Majumdar, labour adviser to the Bengal Chamber of Commerce of Commerce and Industry. "On the contrary, managers say they would rather deal with West Bengal labour because they are more mature, and understand the nuances of unionism."

Mr Majumdar, who until recently was director, personnel, at Andrew Yule, a Calcutta-based government undertaking, says that he managed 20,000 workmen and saw no unrest in the 20 years he worked with the company. He points out that labour, especially in the traditional engineering industry in the state, is highly skilled, and adapts to new skills very quickly.

"The composition of industrial workers is also clearly defined here," he says. Workers usually have industry-wide settlements to determine wage structures. In the engineering industry, most of the 400,000 employees work for state concerns, and are not migratory, unlike the 300,000 workers each in the tea and jute industries and the 100,000 workers in cotton. "This fosters a sense of belonging and responsibility to the state," says Mr Majumdar. "They have coped well in the switchover from conventional to modern industry."

In a state where industrial decline has been the norm for nearly two decades, the unions face a grim task in fighting plant closures, especially of public sector undertakings that are declared sick by the central government. The Delhi directive that there should be no new recruitment has only added to the state's already heavy burden of unemployment. There are 5m registered unemployed in the state, with 400,000 more unemployed being registered each year.

Mr Shanti Ranjan Ghatak, West Bengal's labour minister, says that though unions in the state have different ideologies, depending on which political party they are affiliated to, they work as a united force to take up the genuine grievances of workers.

The Left Front government is often called upon by the unions and employers to intervene, and has successfully mediated in recent labour problems in the jute industry, and at such large companies as Bata India and ITC's Tribeni Tissues. Last year, the government's conciliatory machinery handled 8,365 disputes, solving 4,058 cases, 1,028 of them through conciliation alone.

Traffic is halted for a peaceful strike and march in Calcutta against communalism — Rashbehari Das

The labour ministry has admonished industry for using lock-outs because of financial or internal problems. "The working class showed commendable restraint, maturity and unity in the face of provocation," a Department of Labour report noted last year.

However, Mr Krishan Lal Chugh, chairman of ITC, an associate of BAT Industries, says that the best strategy for the state government would be to make a pro-business statement, instead of merely interpreting labour acts. "What's good for business is good for labour" he says.

Commending the workers in the state for their high degree of discipline, skill and intelligence, Mr Chugh says that the best agreements to resolve labour disputes are ones that are linked to productivity. Tribeni Tissues, a paper company which amalgamated with ITC in 1990, faced labour strife and a lock-out for over three months before negotiating a satisfactory settlement, with a productivity incentive plan at its core.

Mr R.N. Sen of IFB Industries, which manufactures washing machines in technical collaboration with Siemens, the German engineering company, says the attitude of labour in the state has changed, with the government as a watchdog.

"The image that labour is full of strife in West Bengal was acquired with the wave of militancy in the late 1960s and early 1970s," says Mr J.P. Chowdhary, managing director of Titagarh Steels and a staunch advocate of industrial revival in the state. "That image is changing, and what distinguishes West Bengal labour is that once you sign a settlement, it is honoured. There is no hit and miss with them, because labour unions have evolved in this state."

Mr Chowdhury says he is amazed by the degree of knowledge that most labour leaders exhibit. "I don't think there are many other places in the country where you can hear a union leader discussing contributional analysis, or optimum product mix planning," he says.

The labour unions themselves are threatened by the government's new attitude to liberalisation. "We are not opposed to foreign investment in certain areas," explains Mr Chittabrata Majumdar, secretary of the Centre of Indian Trade Unions, which is affiliated to the ruling Communist Party of India (Marxist) and has a membership of 1.1m. "But the core sector, like heavy industry, steel and power generation must remain in the hands of the government. The private sector is interested only in selling capital and consumer goods, and their unchecked entry will ultimately destroy our industrial sector."

The unions are fighting to revive West Bengal's sick public sector enterprises. They blame the state's rampant unemployment on the unwillingness of the Delhi government to revive loss-making units. "Opening the floodgates to foreign companies is not the answer," says the trade union leader.

Raw jute being prepared for processing at Bally jute mill near Calcutta — Ashley Ashwood

■ JUTE

Havoc as crops fail

The Indian jute industry, which is concentrated in West Bengal, is having a hard time because of the crop's failure in the 1993-94 season. Of the country's 73 jute mills, as many as 59 are located in this eastern state and they are finding it increasingly difficult to procure fibre, specially of the superior grades, to maintain normal production.

Compared with last year, prices of raw jute have almost doubled. According to industry officials, many of the financially weak jute mills – they constitute the majority in the industry – will have to stop production as the season advances.

In view of the short crop of 6.5m bales of 180kg each, against an annual average of 8.5m bales, the federal government has allowed free import of fibre in the current season. But little is coming from Bangladesh, as jute prices there are even higher than in India.

In 1982-83 a short crop of 6m bales played havoc with the industry, leading to a loss of market for jute goods both within and outside the country. Now, officials say the government and non-government agencies concerned with jute must formulate a strategy to bring about stability in the production of fibre.

Jute products are already priced higher than synthetic substitutes. Any further rise in prices would put the industry in a spot. Not only must there be a greater degree of stability in the production of raw jute, but there should also be a significant improvement in the quality of fibre.

A report prepared under the UN Development Programme-assisted national jute development programme has warned that unless the share of the top three grades of fibre is raised from 7 per cent to about 20 per cent of the total crop by 1996-97, the mills will find it difficult to sustain their product diversification programme.

Jute mills such as Champdany, Delta and Ludlow which have been steadily increasing the production of export quality yarn and non-traditional high value items including carpets, soil saving bags, decorative fabrics and wall hangings are in good health, while units exclusively engaged in the manufacture of traditional products such as sacking bags, hessian cloth and carpet-backing cloth are mostly in the red.

According to Mr S.S. Kanoria, chairman of Ludlow, "if the rest of the jute industry in West Bengal is to do better, then they should follow the example of the diversified mills," which are modernising and upgrading their production facilities. The prices of value added items are "anything between three and seven times those of traditional products."

It does not speak well of the industry that in spite of the need for diversification, the majority of the mills have been sticking to traditional products. The high value non-traditional products had a negligible share of 5.78 per cent of the total production of 1.23m tonnes of jute goods. However, nearly 70 per cent of the production of non-traditional items is exported.

The UNDP-sponsored report says that "the export market for value added products continues to be large and it is likely to grow sharply." The production of such items can be raised to 300,000 tonnes by 1996-97, representing about 18 per cent of the industry's total production provided the mills make the necessary investment and change their marketing strategies, according to the report.

Mr Sunil Jhunjhunwala, chairman of Delta, will not accept that jute is "a sunset industry. The diversified products have given a new lease of life to quite a few mills. Of all the natural and synthetic fibres, jute is the cheapest and it blends well with the other fibres. Jute fibre has the strength and it also has a nice texture. In the future, many textile grade products will be developed out of blended jute yarn."

Mr Kanoria thinks that jute reinforced hardboard can replace timber. He is confident that the UNDP project to determine if jute yarn can be blended with cotton to make denim fabric will be a success. Jute, according to him, will find many new industrial applications.

In the meantime, however, the federal government is no longer willing to give protection to jute in spite of the fact that more than 4m families are engaged in raw jute cultivation and over 200,000 people work in jute mills.

The official order saying that cement and fertiliser factories should pack a certain percentage of their production in jute bags is still there, but it is not enforced. Mr Jhunjhunwala says: "We must accept the fact that certain products like cement and fertiliser should ideally be packed in synthetic bags and not in jute bags. The time is not far away when sugar will also be packed in synthetic bags."

> Contraction in the size of the industry is inevitable. The jute mills have postponed modernisation and product diversification for far too long

Synthetic bags, he admits, are cheaper than jute bags and "do not allow seepage of materials. Market forces should decide whether a particular product should be packed in jute or in any other material."

With the gradual loss of segments of the domestic market, contraction in the size of the industry is inevitable. And no one expects a spectacular improvement in the export of traditional jute products. Except for a handful of units, the jute mills have postponed modernisation and product diversification for far too long.

The Belfast-based Lumus Mackie has promised to make available a new range of high speed spinning and weaving machines. But before they invest in new machines and technology, the jute mills want an assurance from the West Bengal government that they will be allowed to "rationalise the complement of workers and link wages to productivity".

Kunal Bose

■ DARJEELING TEA

Packets may mean profits

The billboard in front of the tea factory of Puttabong Tukvar estate in the Darjeeling hills boldly proclaims: "None before us".

Mr S.M. Kumbat, vice-president, explains that tea growing in Darjeeling began at Puttabong in 1852 with bushes brought from China. The 22km-long Puttabong estate, starting at an altitude of 1,000 ft and ending at 7,000 ft, grows some of the finest and more expensive teas in the world.

Last year Puttabong created a world trade sensation when it sold 120kg of "antique tea" to a German buyer at Rs10,001 a kg. "The entire quantity of antique tea was hand-made. At no stage of plucking, withering, rolling and drying of tea leaves were machines used. We unearthed the old records and spoke to very old planters to find out exactly how tea was made here over a century ago," says Mr Kumbat.

Since then, Castleton, a tea estate owned by Goodricke, has sold some lines of Darjeeling tea at even higher prices. "Hand-made tea, which only a few gardens produce, is targeted at the very famous and the very rich in Germany and Japan.

This exclusive tea apart, the gardens at Darjeeling in general get fairly good prices for the tea produced from March to June. Production during this period, amounting to about 35 per cent of the hills' total output in a year, is almost fully exported," says Mr Mumtaz Ahmad, who represents the Indian tea industry.

There is, however, a perceptible fall in the quality of tea produced between July and November. It is because of this that the marketing of the major portion of Darjeeling tea poses such a big challenge.

The disintegration of the Soviet Union, which was a big buyer of this late Darjeeling tea, has made matters worse for the industry.

According to Mr Ahmad, domestic demand for Darjeeling tea is insignificant. The industry fails to dispose of 65 per cent of its production at remunerative prices. But Mr Ahmad believes its marketing problem can be overcome if the region's major producers form a consortium to promote and market Darjeeling tea – in packets – within India. "It is not within the capacity of any single producer to undertake this task. But once the consortium has established itself in the country, it can start taking export initiatives."

> "It would be suicidal to chase quantity at the cost of quality"

Surprisingly, there are few takers of the consortium proposal within the industry. No doubt, the world's finest tea is produced in the hills of Darjeeling. The hill soil condition, high altitude and mist give Darjeeling tea a "muscatel" flavour.

However, the region's production of tea has been stagnating at around 13m kg. And the cost of producing tea in Darjeeling is far higher than in the plains of West Bengal and Assam. According to Mr S.N. Somani, president of Jay Shree Tea, which owns three large tea estates in Darjeeling, the age of many of the tea bushes, the difficult topography and low labour productivity are responsible for the low yield of about 650kg of tea a hectare in the region, compared with over 1,800kg a hectare at Dooars in West Bengal. Yet "it would be suicidal for the industry to chase quantity at the cost of quality since quality happens to be the unique selling point of Darjeeling tea," says Mr D Atal, spokesman for the Darjeeling Planters Association.

There is an industry consensus that research must be encouraged if the stagnation in Darjeeling's tea yield is to be broken.

The Indian Tea Board and DPA have jointly prepared a plan for upgrading the Darjeeling Tea Research Centre. The industry will expect the DTRC to suggest measures to arrest soil erosion, especially when old tea bushes are uprooted to make room for replantation, and to develop high-yielding clones for different altitudes of Darjeeling hills.

In spite of their ageing bushes, the Darjeeling tea estates are going about the job of replantation slowly. They must first ensure that the uprooting of tea bushes will not result in landslides, according to Mr Atal. If there is to be any significant increase in the production of Darjeeling tea, then the West Bengal government must allow the gardens to grow tea "in their contiguous areas which are now remaining unutilised." The government must also return land to the gardens which it earlier acquired from them as surplus. Unfortunately, progress in this direction is slow.

Not very long ago, more than 40m kg of tea was marketed globally as Darjeeling tea, even though production in Darjeeling hills would not be more than 13m kg. All sorts of teas would be passed off as Darjeeling, giving the tea a bad name. This menace has been stopped to a great extent, partly because a Tea Board logo is now used only on packets containing Darjeeling tea.

Kunal Bose

Marxist's welcome

Continued from previous page

limits of the constitution. It is nothing like a separate republic of West Bengal. We have a minimum programme for the people which we are trying to implement effectively."

He admits that "the Left Front is in almost total disagreement with the basic policies of the Narasimha Rao government. We are not at all satisfied with the performance of the federal government. It does not have a meaningful programme to increase the purchasing power of the people in the countryside. Unemployment has assumed menacing proportions. India has ended up as one of the biggest borrowers in the world."

A relentless campaigner against communal forces, Mr Basu describes the outcome of the recent elections in the four states – Madhya Pradesh, Uttar Pradesh, Himachal Pradesh and Rajasthan – where the right-wing Bharatiya Janata Party governments were sacked by the centre following the demolition of the Babri Masjid at Ayodhya in December 1992 as a "setback for the forces of the right. But Congress (I) will be mistaken if it thinks that the election results are an endorsement of its policies. People voted against Congress (I) where there was a credible alternative to it. But when the choice was between the Congress (I) and the BJP, they voted for the Congress (I)."

What will happen to West Bengal after Mr Basu? He is in his 80s. Though in good health, he is not expected to carry on running the state much longer. Businessmen planning to invest in West Bengal want to be assured that there will be stability beyond Mr Basu.

Describing West Bengal as the "most stable state in the country," the chief minister says that "one significant proof of stability is the regularity with which the Left Front wins elections to parliament, state assembly and local bodies." Mr Basu certainly does not think that there will be a deluge after him in West Bengal.

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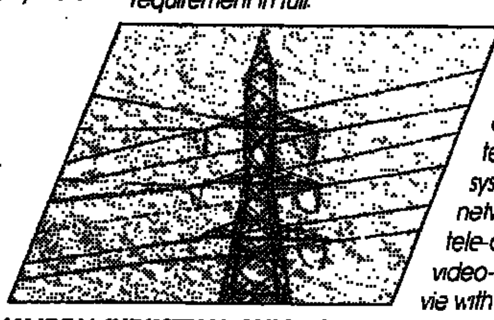

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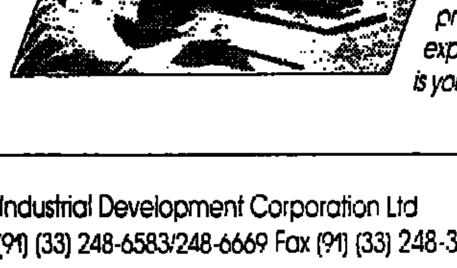

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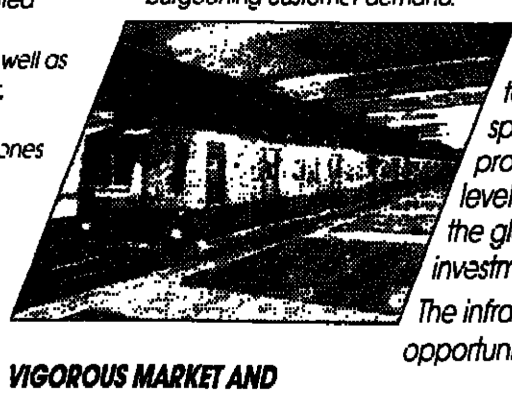

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PARICHAY/FT

Calcutta hopes to regain its lost grandeur, writes **Shiraz Sidhva**

City of night, city of joy

Rudyard Kipling termed it the necropolis of "dreadful night". V.S. Naipaul, the author and Rajiv Gandhi, the former Indian prime minister, declared the city was dead or dying. Back in the 1950s, Time, the US magazine, dubbed it the City of Pestilence. Calcutta-bashing has been an international free-for-all for decades now, but the city has had its defenders as well.

Satyajit Ray, the renowned film-maker, was a proud son of Calcutta, and Dominique Lapierre called it "The City of Joy," recognising the soul beneath its deprivation and decay. And Calcutta is the home of Mother Teresa, who has shone like a beacon of hope for the desperate. "Calcutta is much-maligned, but it *is also deeply loved,"* says Mrinal Sen, a noted film-maker.

For the first-time visitor, it is difficult to ignore the dirt, decay and abject poverty. Once the gateway to the east and the proud capital of British India, Calcutta is today a byword for pollution and overcrowding. The flight of industry in the mid-1960s after the militant Naxalite movement reared its head, and the waves of refugees from bordering countries and states have compounded the city's problems.

For most of the past 16 years, the Communist Party of India (Marxist) government has concentrated on the betterment of rural West Bengal, while neglecting Calcutta. Power cuts have been incessant, telephones never worked, and traversing Calcutta's overcrowded potholed roads could be a nightmare.

But the last two years have seen the end of the power shortage, and the telephone service has improved. The city boasts a second bridge – the ultra-modern Vidyasagar Setu – over the River Hooghly, and a new metro that has some claim to be among the best-maintained in the world.

Calcutta, which celebrated its tercentenary in 1989, epitomised the best and the worst of British rule, and the colonial legacy is still plain to see. Recently, Calcuttans protested loudly when their rusty, creaking tramcars were to be phased out. The city's residents are justifiably proud of their metro, but do not want to lose the archaic tramway. Stubbornly, they believe that Calcutta will some day regain its lost grandeur and dignity. This is a city of contradictions and paradox, and the roots of its split personality are to be found in history.

In the mid-18th century, Robert Clive, the most celebrated of British viceroys to India, described Calcutta as a "city of palaces" but also talked of the squalor of the surrounding

A city of contradictions and paradox, the roots of its split personality are to be found in history

"native towns". Two hundred years later, the city has been unable to throw off the vestiges of the Raj – its beautiful colonial buildings are grimy and crumbling, but they lend the city their unmistakable grandeur, a grim reminder of better days.

Even after Delhi became the capital of the British Empire in India, Calcutta, with its hinterland rich in tea, jute and coal, and over 80 per cent of the country's industry, retained a pre-eminent position. The British sahibs, executives in the big companies that survived partition, replaced the bureaucrats – even today, the club culture is more evident here than in any other Indian city.

Calcutta bore the brunt of the trauma of partition, with thousands of Hindu refugees flooding in from east Pakistan. The influx recurred in the early 1970s with the formation of Bangladesh. Migrant labour poured in from Bihar and other neighbouring states to take advantage of the opportunities afforded by industry. Though migration from neighbouring states continues to be high, the Left Front government's poverty alleviation programmes and rural employment generation schemes have largely stemmed the influx from within West Bengal.

With the downslide of industry, the flight of Calcutta's British entrepreneurial base, and the lack of new investment, the city no longer seemed able to contain poverty to its slums – it spilled onto the congested thoroughfares, and make-shift dwellings sprang up on pavements and even encroached onto the roads. Over 20 per cent of the city's 12m people, it is estimated, now live in wretched and inhuman conditions, devoid of basic civic amenities.

For its 300th birthday, the government promised a "face-lift" for the city, but it *amounted to no more than* administering a "Band-Aid for a terminal illness," as one critic has put it. A new auditorium, archives and a library were built, and some 19 parks were cleaned up.

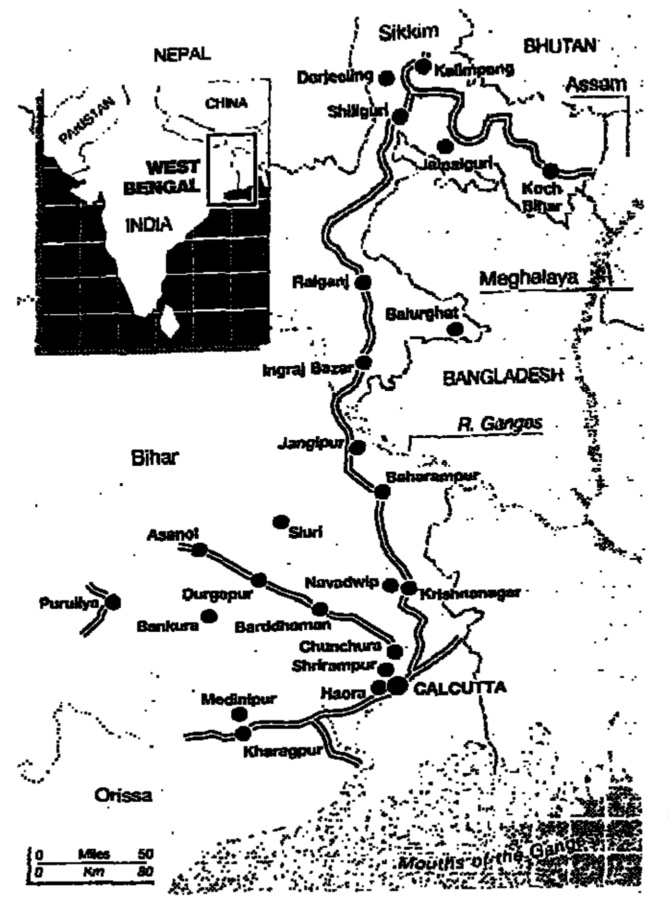
Executives say that colleagues from overseas still prefer to meet them in Bombay or Delhi rather than risk a trip to Calcutta. Until a month ago, there were no regular international flights, but British Airways and KLM have just relaunched links to Calcutta, after a gap of several years.

Mr Jyoti Basu, the West Bengal chief minister, admitted to businessmen in August last year that roads in Calcutta and the rest of West Bengal needed urgent attention. The urban development department, he said, had initiated several projects to solve these problems, but lack of funds continued to be a problem.

In its memorandum to the Finance Commission, a central body which allocates funds to the states, West Bengal's government urged it to grant extra funds. "The Calcutta-Howrah metropolitan area should not be viewed only in terms of West Bengal," it said. "Its eminence as one of the most important industrial, commercial and exporting centres of the country transcends the limits of the state and its contribution to the national economy should be assessed on the basis of these considerations."

The state government plans to ask large industrial houses to help rebuild and maintain sections of Calcutta's roadways, which are in a dreadful condition. Yet at the same time, it hopes to promote tourism, offering financial incentives to those who invest in hotels, motels, luxury transport and water sports facilities. Under one scheme, the government will lease out nine British-style tourist lodges to the private sector for management, and develop a new beach resort at Sankarpur, 180 kilometres from Calcutta. Other schemes include the development of river sport resorts and a luxury liner on the River Ganga, and a series of highway motels and roadside facilities.

The rusty, creaking tramcars are just part of life in Calcutta



The business houses realise they will have to pitch in if the city of Calcutta is to be rejuvenated. In 1991, the Bengal Chamber of Commerce, representing a cross-section of multinational and Indian business houses, banks and trade, launched "Pride and Glory", a son-et-lumiére show of Calcutta's history. Within the sprawling white marble Victoria Memorial at the city's heart, the show augments the Chamber's "Calcutta I Care" campaign.

Nevertheless, Calcutta is perhaps one of the world's most uninviting cities for the foreign investor, and the state government is acutely conscious of this as it strives to attract foreign investment. A publication of the Bengal Chamber of Commerce admits that the ordeal may begin at Calcutta airport, where the visitor is likely to "get a shock ... to be lost in chaotic road and traffic conditions ... he would be psychologically put off immediately and decide to leave the city as quickly as possible."

Kunal Bose asks if the state can reverse a sharp fall in exports

Steel revival beset by doubts

The 35-year Durgapur Steel Plant, part of the government-owned Steel Authority of India Limited, is preparing to give a lead in the revival of West Bengal's steel industries.

According to Mr Y.P. Sharma, managing director, when the modernisation of the steel plant is completed at a cost of more than Rs40bn by the end of 1994, "it will not only be making better quality steel at lower cost, but its production will increase to 1.88m tonnes from 600,000 tonnes."

Since nearly half that production will be in the form of billets – DSP now makes only finished steel products – Mr Sharma expects a large number of new units to be built in the state to convert the billets to rods and bars. It is hoped that the investment in modernisation along with the improvement in work practices will enable DSP, with an accumulated loss of Rs10bn, to start earning profits.

In the meantime, DSP's nextdoor neighbour, Alloy Steels Plant has been modernised in two phases and its capacity increased to 180,000 tonnes of saleable special steel.

However, less than 50km away at Burnpur, the trade unions continue to put up strong resistance to the federal government's move to privatise the Indian Iron & Steel Company which owns a 75-year-old steel plant. Even though the government has decided to hand over IISCO to *Mukand, a steel group with* headquarters in Bombay, which plans to invest Rs32bn no one knows exactly when the privatisation will occur.

Earlier Mr Jyoti Basu, chief minister of West Bengal, wanted Mr Swraj Paul, chairman of the UK based Caparo Group, to modernise IISCO. But he declined after learning that he would not "have a free hand in the management and the government will have a role in choosing the new technology for IISCO".

Whatever happens, the IISCO modernisation cannot be postponed any longer if the plant is to be saved. The important thing for the government is to make the unions understand this. The secondary steel units in the state which produce the metal by using electric arc furnaces are having a tough time. Of 16 such units, with a combined capacity of about 300,000 tonnes, only four are working.

The state government lacks the resources to nurse its sick engineering units back to health

"I don't see any chance of the steel making sector's revival in the foreseeable future. The recession has made the secondary producers highly uncompetitive. To make matters worse for the West Bengal based units, they have to pay nearly Rs750 a tonne extra for the imported scrap as they are far from the sea-based ports," says Mr J.P. Chowdhury, president of the Indian Chamber of Commerce.

However, fresh investment in steelmaking using the blast furnace route makes sense. And there are quite a few such investment proposals in the pipeline in West Bengal. Birla Technical Services has teamed up with a state government undertaking to invest Rs3.5bn in setting up a 550,000 tonne capacity pig iron plant. Century Industries, another Birla company, is to build a pig iron factory in the state. The 90,000 tonne capacity pig iron project of the Tatas at Kharagpur is to be commissioned shortly.

According to Mr Bidyut Ganguly, industries minister, the state government is aware of a Rs6.5bn investment proposal for a steel plant with Lurgi technology.

The improvement in infrastructure, particularly in the supply of power, has made West Bengal an ideal location for setting up steel units. The state's engineering industry, indeed, provides an interesting case study in contradictions. On the one hand, there is IFB Industries, which exports the major portion of its production of high precision fine blanked components to European vehicle manufacturers; on the other hand, there are any number of foundries which are either closed or sick. In the same group as IFB is Modern Malleables, manufacturer of equipment and accessories for power transmission and distribution systems, which earns nearly 90 per cent of its revenue from exports.

In spite of the globalisation of business by a few engineering units, West Bengal's share of the country's engineering exports declined to 16 per cent in 1992 from about 67 per cent in 1966. According to Mr G.D. Shah, of the Engineering Export Promotion Council, the reason for the sharp decline in West Bengal's export share is that "the state largely exports items like sanitary castings."

Nevertheless, the volume of engineering exports has improved of late. "Rationalisation of cargo handling operation by Calcutta Port has helped," points out Mr Shah, himself a big exporter. Now that there has been a big improvement in the supply of power, the West Bengal Industrial Development Corporation expects that entrepreneurs from within and outside the state will set up new engineering units to avail themselves of locally available skills.

Electrosteel recently commissioned the country's first ductile iron pipe manufacturing unit in West Bengal. Hindustan Motors, the country's second largest car manufacturer, is to produce a new range of automotive components at its Uttarpara factory, mainly for the export market.

But the state government does not know what to do with its many sick engineering units. It does not have the resources to nurse them back to health, but the federal government will not have anything to do with them. However hard the state government tries, it will not find many takers for the sick units. Most of them should be allowed to die a natural death.

Profile: CESC

Power opens door to glory

In 1989, when Mr Rama Prasad Goenka, chairman of RPG Enterprises, India's fourth largest business house, took over CESC, which supplies power to Calcutta and surrounding areas, he promised that the city would not be hit by power failures, writes Kunal Bose.

Today, no other big Indian city, except Bombay, can claim to be as well-off as Calcutta is in terms of power availability. Mr Goenka says: "The change in the power scenario will bring about the economic regeneration of Calcutta."

According to Mr Sanjiv Goenka, the vice-chairman, "we make constant endeavours to get the most out of our existing power plants. In the past two years, there has been an improvement of 25 per cent in CESC's power generation. The average plant load factor for the CESC units is over 70 per cent, against the national average of 57 per cent."

But CESC also depends to a great extent on the state electricity board to meet Calcutta's demand for power. The improvement in the working of these two agencies in recent times has allowed CESC to draw adequate power from them, enabling it to meet the demands of Calcutta's citizens.

Since the early 1970s the power crisis in the state has discouraged industrial investment. But the turnaround in the power situation has brought Calcutta back in the reckoning of investors. Mr Sanjiv Goenka wants to ensure that "history does not repeat itself as far as power for Calcutta is concerned. Power is neither fast food nor instant coffee. We at CESC are working towards creating sufficient power generating capacity for the future."

CESC, which now has a total capacity of 580MW at four thermal stations, is setting up a 500MW coal-fired power complex at Budge Budge, 25km from Calcutta. The first unit of the complex will be commissioned in March 1996 and the second a year thereafter. Rolls-Royce Group will supply two 250 MW turbine generators for the Budge Budge complex. The investment of Rs20bn in the power complex "is the biggest ever private sector investment in West Bengal. The complex will go a long way to create the conditions for industrial growth in the state," says Mr R.P. Goenka.

Since the Goenka takeover, CESC has become an aggressive utility company. It has also started preliminary work on another power complex at Balagarh which will finally have a capacity of 1,500MW. But in the first phase the Balagarh complex's capacity will be 500MW. The turnkey contract for the project is to be given to Rolls-Royce with which CESC has a "business relationship of more than six decades".

CESC is financially strong enough to raise resources from the Indian capital market and banks and financial institutions from within and outside the country to fund the two power complexes, says Mr Sanjiv Goenka. When the Budge Budge complex and the first phase of Balagarh are commissioned, CESC will not need to draw power from the outside agencies.

Besides creating new power capacity, CESC is making adequate investment to strengthen its transmission and distribution system.

Asked how CESC would fare if a uniform national power tariff is introduced, Mr Goenka says: "We would stand to gain since our tariff is among the lowest in the country. What I now want to do is to raise the CESC service to consumers to an international level."

BOC's majority stake in Calcutta-based company

Gas market's potential

The gradual opening up of the Indian economy and the fact that the market for industrial gases in India is growing at a rate of 10 to 15 per cent influenced the decision of BOC Group of the UK to raise its stake in IOL to 51 per cent from about 40 per cent early last year.

The remarkable turnaround since 1990 in the workings of IOL, whose headquarters are in Calcutta, also encouraged BOC to take a majority holding in the Indian company. IOL is not only the biggest and most cost-effective producer of industrial and medical gases in the country, but it is also the only gas company with a financial and technological tie-up with an international company.

In view of the potential of the Indian market, it is quite likely that other global gas companies will seek a foothold in India. Mr Shashi Shekhar Prasad, managing director of IOL, is, however, not unduly worried about the prospect. What gives the IOL management confidence to take on any future competition is BOC Group's growing support in "terms of management and technology inputs to the Indian company".

But before BOC made IOL into its subsidiary, Mr Prasad had to take a number of major steps, including the hiving off of non-core businesses, to arrest the decline in its fortunes. He believed that IOL should concentrate on its core businesses: gases and health care products. This led the company to dispose of its welding division to Esab. In the process, IOL's workforce was reduced by nearly 1,600.

Mr Prasad realised early that if IOL was to do well in India's new business environment, then it must become cost-effective. Today, at every level of the organisation, there is a desire to control costs.

Like many Indian corporations, IOL was highly overmanned when Mr Prasad became managing director in October 1989. But through the introduction of an attractive voluntary retirement scheme and a constant dialogue with all sections of employees, it has been possible to reduce the labour complement from 3,900 to nearly 2,000.

"We could not have achieved so much unless the workers were convinced that what we were doing was good for them, as also for the company. The percentage of wage cost to sales was about 22 per cent in 1989. Today it is about 13 per cent. Ideally, it should be 7 to 8 per cent. We still have a long way to go," says Mr Prasad.

From the beginning, the new management made a relentless drive to upgrade gas-making technologies and modernise all IOL plants. The access to BOC group technologies has been of great help.

As Mr Prasad says: "The company is now using contemporary air separation technology to make 65 per cent of the gases. We were at the zero level in 1987. My target is to make 100 per cent gases through that technology route by 1997. We also have a lot of leeway to make up in cylinder filling and distribution of gases."

IOL, according to management sources, will need five to six years to catch up with BOC standards. But already it offers its customers "tailor-designed new applications of gases, customised on-site gas plants and high purity special gases." As Mr Prasad sees it, demand from the Indian food, chemical and electronics sectors for nitrogen will grow rapidly. IOL's easy access to application technologies from BOC will prove advantageous.

The continuing modernisation of manufacturing facilities and rationalisation of labour are well reflected in IOL's balance sheet. In the six months to September 30, IOL's net profit of Rs40m nearly doubled over the corresponding period of the previous year.

Mr Prasad thinks that it should be possible for IOL to invest Rs1bn every two years in new projects. IOL will also be ready to set up gas plants as joint ventures with the major gas users.

Kunal Bose

MANAGEMENT: THE GROWING BUSINESS

Outsource boom for in-house services

British Aerospace does it. So does the Inland Revenue. And most companies in the UK have either tried it, liked it or want to do it more. In the last five years, outsourcing – the practice of contracting out services previously done in-house - has become well established in British companies.

A survey of the country's largest public companies, by 3i, the investment capital provider, suggests overwhelming support for outsourcing and 80 per cent of those surveyed said there was scope for more. The survey suggests that the smaller companies which often supply the services are likely to do significantly more non-core activities for the larger companies.

Most companies said the greatest benefit was the management time that was freed up, but also noted that outsourcing cut staff costs and increased flexibility. Nearly half those surveyed said it also helped create greater certainty about the level of costs. The greatest problem was maintaining the quality of service and communications with the sub-contractors.

The most common service to be outsourced was, not unexpectedly, printing, where three-quarters of companies have now stopped doing it themselves. Travel services and pension management were almost as popular. More than half those surveyed had outsourced software developments, public relations functions and catering. At the other end of the scale, 1 per cent had outsourced the accounting function, 5 per cent treasury management and 7 per cent research and development. Most outsourcing was the result of decisions taken on an ad hoc basis, suggesting the practice could spread still further.

Three-quarters of the companies had not conducted a systematic review of the opportunities. But two-thirds said they expected a further reduction in the number of middle managers and believed new employment opportunities would appear in the small and medium-sized sector of business. "Small companies can do the work more efficiently and cheaply and in many instances do it better," said Rupert Wiles, director of 3i.

RG

Survey available from 3i – 071 928 3131

A soft route to high-tech

Too few bright ideas are converted into successful UK businesses. **Richard Gourlay** describes how one consultancy has made the transition to manufacturer

When the German group Bosch was looking for a way to differentiate its cordless hand power tools in a market flooded with similar products it chose to introduce a battery charge-monitor. But it lacked the technology to measure the residual power of Nickel-cadmium batteries.

Esselte, the Swedish office products group that owns the internationally renowned Dymo labelling system, had a similar challenge. Despite owning an excellent brand, Esselte Dymo saw increasing competition from newer technologies, notably Brother of Japan, but had a limited research and development capability to update its products.

Both companies arrived at solutions with the help of The Technology Partnership, a Hertfordshire-based company that started life seven years ago as a engineering and scientific consultancy.

Bosch's battery monitor and Esselte Dymo's electronic labeller are now successfully on the market. But for The Technology Partnership, product development contracts like those with Bosch and Esselte Dymo provided a knowledge base that has helped it follow an unusual path of growth.

After seven years the group is manufacturing and developing high-tech products in its own right, supported by the knowledge and the cash generated from developing products for third parties.

There is nothing new in consultants working beside a company's in-house development team to come up with new products or innovations; the cost of a full blown R&D department can be exorbitant for many groups and many companies also value the independent views of outsiders.

But the step from consulting to manufacturing is still relatively unusual. By the standards of recent UK high-tech start-ups, The Technology Partnership has enjoyed a considerable success – it now employs 170 people, six-times more than when it started, and has sales of over £13m.

With some justification The Technology Partnership claims to be joining an all-too-select club of successful high-tech start-up companies in the UK, a list that includes Apricot, Acorn, Domino Printing and Oxford Instruments but precious few others.

According to David Connell, head of The Technology Partnership's strategy division, theirs is a model of development that the government should be supporting if it wants to encourage a more dynamic base of high technology start-ups.

"The traditional venture capital model is one where you have your product and your business plan, and you raise finance, do the development and market the product," says Connell. This approach – what has become known as a "hard company" start-up – often requires a full management team, considerable capital and substantial risk. Given the risks, it is not surprising that there have been so few successes.

By contrast the "soft start-up company" sells consultancy or does contract manufacturing for a customer, using the cashflow and experience it acquires to "harden up" and develop its own products.

The problem is that even the handful of venture capital funds prepared to finance high-tech start-ups are not interested in backing companies that are still trying to turn their ideas into businesses. This is understandable as these companies' main assets wear shoes and can walk out of the door at anytime. Most will only fund a company when it has already developed a product that is ready to go to market.

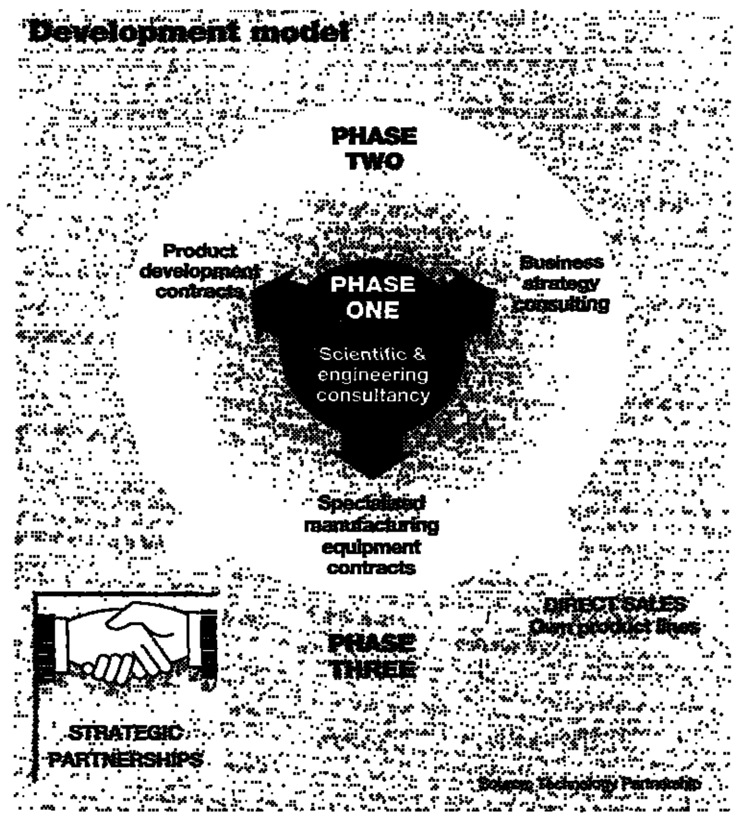
Even then the transition from consultancy to making and marketing a product is the most difficult phase of development.

Companies handle it in different ways. Crombie Anderson, a consultancy in Dunfermline, Scotland and Denver, Colorado, has chosen to spin out the two high-tech businesses it has incubated. But it has always kept its consulting side as a separate business.

"Consulting is jobbing work. If you want to penetrate a market you have to really focus," says Douglas Anderson, managing director of the consultancy. He is also chairman of Creos, which he spun out of the consultancy when it received backing from venture capitalists Electra Innvotec and which makes high-voltage power supplies for computerised tomography (CT) scanners.

"For this opportunity in medical imaging you have to have a team that is really dedicated to that and nothing else," he says.

The Technology Partnership experience is similar, though on a larger scale. Formed when 25 consultants from PA Consulting Group left en masse in 1987, it started with specialist consulting. As well as developing products for others it started to make manufacturing equipment under contract, notably for Celltech, the drug discovery company.



Celltech needed to make large quantities of a growth hormone, and asked The Technology Partnership to make a robot that would replicate exactly the human procedures approved by the US Food and Drug Administration.

The Technology Partnership has since updated the robot and set up a niche business selling the equipment to biotechnology companies making, for example, vaccines.

The next step was to form strategic partnerships to develop ideas generated within the consultancy business. These have included a joint venture with a corporate partner to develop an ink-jet printing technology and a project with Analogue Devices of the US to design telecommunications chips for the new GSM digital telephones spreading across Europe.

Lastly, The Technology Partnership has been able to dedicate two people for 18 months to a project that is developing vehicle power systems for electric cars. This has led to the spin-out of a new business funded by a large company.

"It is the service [consultancy] side of the business that allowed two people to explore the possibility of a new approach to drives in electric vehicles with potential partners and the car companies," says Gerald Avison, managing director of The Technology Partnership.

The consultancy started with a distinct advantage – it was quickly large enough to free researchers from the daily grind of covering the business's overheads with fee earning consultancy. But for smaller teams the transition from consultancy to making a product is a difficult manoeuvre.

For 11 years after leaving Warwick University, Ron Jones, ran Ceramic Developments as a consultancy. But even after re-mortgaging his house, his company lacked critical mass. "At the bottom of the recession we were struggling to get product into the market," says Jones. "I had been managing director for 11 years but we were short on the technical side and I needed to get back to development."

Like Creos, Jones was fortunate enough to raise venture capital from Electra Innvotec. Jones returned to what he did best, R&D, and the new managing director began to focus the business on its most promising developments.

The company now has four products in the market, one of which is lightweight ceramic armour used on the floor and seats of aeroplanes flying into Bosnia. Jones says development plans and the need to provide investors with an exit means the company (current sales roughly £2.5m) may be sold to a larger company group in the next year.

Though Ceramic Developments could become part of a larger group, it has at least joined the thin ranks of companies that have turned ideas into businesses.

Some observers believe too many high-tech start-ups do not make this jump, partly because funding for product development is inadequate. Alternatively development is too slow – often also a result of inadequate funding. "The market window is often finite and not very wide," says Gerald Avison. "If a product takes too long to develop it is no longer what the market wants."

David Connell, who was on the UK government's Advisory Council for Science & Technology (ACOST) committee that looked at "Barriers to Growth" in 1990, believes many more high-tech companies could be successfully incubated in the UK if there were more government support for the soft start-up. He has two concrete recommendations.

First, the government could help by using the services of smaller consultancies, which could then begin to develop a knowledge base. Second, the government could try to find ways of supporting the transition to production and marketing, such as regular competitions to promote good ideas.

Neither seem likely so long as the government continues to believe intervention is an unwelcome distortion of a market system that works.

In a Nutshell

Information for small businesses

A new series of basic information fact sheets for small businesses has been welcomed by leading academics.

Business Hotline Publications has drawn on an impressive number of contributors from companies, business institutions and trade associations to produce 36 fact sheets covering subjects from the writing of business plans and forming businesses, to caring for customers, choosing accountants, computers and premises and coming to grips with employment law.

James Curran, Professor at the Small Business research Centre, Kingston University, said: "I see many business publications but know of none that crams so much practical information into so few pages."

Business Hotline Publications – 081 640 7806 – £72 till end February.

Study shows fall in buy-outs last year

The number of management buy-outs and buy-ins last year fell by a fifth over the previous year. But the number of companies finding an exit either through flotation or trade sales jumped to a record high.

The figures from the Centre for Management Buy-out Research at the University of Nottingham suggest that while liquidity is returning to buy-out financiers there may be a shortage of deals into which they want to reinvest funds.

Nevertheless, Chris Ward, partner of Touche Ross Corporate Finance that jointly finances the centre, is optimistic that investor appetite for deals has been restored.

Buy-out failures were down by half to 50. There was also a fall in the number of buy-outs from companies in receivership, suggesting more concerns were starting their independent existence in stronger financial shape.

Buy-outs that needed to refinance during the year also fell.

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ANNOUNCEMENT

Acting on behalf of the Shareholders' Consortium, CMS Management Consulting Ltd., announces that the tender submission deadline for the Tender invited in December, 1993 for the sale of a majority stake of shares in

Csepel Power Plant

(Gyepsor u. 1, Budapest H-1211) is extended by 20 days.

New tender submission deadline: 9-12 a.m. February 10, 1994

All other conditions of the Tender remain effective in accordance with the original Tender announcement, while the other deadlines are extended by 20 days.

Additional information can be obtained from the following sources:

Béla Simon, General Manager, head of the Shareholders' Consortium, Tel/Fax: 36-1-2768-534

Dr. József Jablonkai, General Manager, Csepel Power Plant, Tel/Fax: 36-1-2761-023

Ms. Karen McClellan, Privatisation Consultant, SPA, Tel: 36-1-2870-084, Fax: 36-1-1498-587

Zoltán Sziráczky, Consultant, CMS Ltd., Tel: 36-1-1159-294, Fax: 36-1-1355-573

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CONTRACTS & TENDERS

PRESCRIPTION PRICING SERVICES MARKET TEST

The Prescription Pricing Authority is a Special Health Authority with three principal responsibilities:

- Examination, checking, investigating and pricing of NHS prescriptions and the production of payment schedules used by Family Health Service Authorities (FHSAs) in England for the reimbursement and remuneration of dispensing contractors
- Provision of information services related to the prescribing and dispensing of NHS prescriptions to the Department of Health, Regional Health Authorities, FHSAs, General Medical Practitioners and others
- Administration of the N H S Low Income Scheme through the Health Benefits Division which enables people with low incomes to claim assistance with the cost of a range of NHS services.

The Authority is seeking to procure the services necessary to enable authorisation of payments to 15,000 dispensing contractors on a monthly basis and also to enable provision of prescribing and dispensing information. Currently, up to 41 million prescriptions are dispensed per month in England under the NHS Pharmaceutical Services Regulations. The payment to contractors is calculated in accordance with the Drug Tariff and the General Medical Services Statement of Fees and Allowances (as interpreted by the Prescription Pricing Authority's Pharmaceutical Advisory Officers).

The services required are currently carried out as follows

Each month, dispensing contractors send bundles of prescription forms to one of the Authority's nine locations identified below These forms are numbered using specialist numbering machines and information from the forms is interpreted and entered into local computer systems using key to disc equipment. The officers keying the information are required to make informed decisions by interpretation of the Drug Tariff during the process The completed data is transmitted using the Authority's network to computer systems located at the Newcastle premises . Additional attention may be required to certain data following transmission and this is enabled by remote access using on-line terminals from any of the nine locations to the central systems. Finally, a payment schedule is automatically calculated for authorisation of sums due to the dispensing contractor

There are nine places of delivery for this service, which have been categorised into three groups.

NORTH EAST	NORTH WEST	YORKSHIRE AND MIDLANDS
Newcastle upon Tyne	Manchester	Wakefield
Durham	Bolton	Sheffield
	Liverpool	West Bromwich
	Preston	

Service providers may bid for one, two or all three geographical groups as identified above

The duration of the awarded contract is expected to be five years, during which there will be a review breakpoint, with regular reviews of service level and projected work volumes. There is also a possible option to extend to seven years

Prospective service providers should note that if consortium bids are offered, a single prime contractor must be nominated for contractual purposes

Service providers will be expected to:

a) prove their ability to deliver the required level of service to defined criteria.

b) prove their commercial and financial viability

c) agree to the Authority's contract terms and conditions

Criteria for award of contract will be the most economically advantageous to the Authority based on, in the opinion of the contracting Authority, the service provider's satisfactory response to evaluation factors including risk, quality, technical merit and cost. The Authority will use its defined evaluation criteria to determine which potential service providers are invited to participate in the various stages of this procurement. In determining the cost of a service provider bid, the Authority will consider all direct and indirect costs arising from the implementation and operation of the contract.

The tender process is governed by the procedures and timescales dictated by the Official Journal of the European Community, Restricted Procedure notice.

All enquiries and expressions of interest to be made in the first instance to

**Mrs C Burdess, Prescription Pricing Authority,
Bridge House, 152 Pilgrim Street
Newcastle Upon Tyne, NE1 6SN
England
Tel: 091 232 5371
Fax: 091 261 7810**

PRESCRIPTION PRICING AUTHORITY

INVITATION TO BID

Emocha E.E. with headquarters in the district of Gurue, Zambezia Province, Mozambique, invites companies to bid for the consultancy services contract of the tea production and development project financed by the Arab Bank for Economic Development in Africa (BADEA).

The Project:

The project is to rehabilitate five existing tea factories, to build one new tea factory with 1200 T.P.A. capacity, to prune 8700 HA of fields, to purchase tea machinery and spares, to acquire transport and to offer technical assistance.

The consultancy services are basically to supervise the rehabilitation of five factories, to draw the blueprint for a 1200 T.P.A. factory and to supervise the construction of the factory. The pivot will be around the resident engineer who must be a mechanical engineer with vast experience in this type of work in Africa. In due course of time civil and/or electrical engineers will be hired on a short term basis. The duration of the project will be 3 years.

Companies from countries approved by BADEA with experience in tea rehabilitation work in Africa are invited. A short list will be made by executing agency and submitted to BADEA for approval. On receipt of said approval the bidding documents with instructions to bid and the terms of reference will be mailed to the short listed companies. Preference will be given to Arab, African or Afro/Arab companies. On receipt of letters of interest the executing agency and BADEA reserve the right to decide the names and number of companies which will be included in the final short list.

Interested companies should send letter of intent to:

The Executive Director
Tea Rehabilitation Project
Emocha E.E., P.O. Box 4123, Maputo, Mozambique
Fax: 258-1-417585 Phone: 258-1-416903/4

within 45 days of the date of publication of this invitation.

MANCHESTER AIRPORT CAR RENTAL CONCESSIONS

Manchester Airport Plc invites interested parties to apply for tender documents for the operation of two separate car rental concessions. Both have desks situated in three locations within the Airport complex.

It is anticipated that the contracts will commence on the 1st April 1994.

Companies wishing to be considered for inclusion on a select list of tenderers, should apply as detailed providing the following information:-

(1) Copies of the last two years audited accounts.
(2) Company brochure/profile.
(3) Bankers name and address.
(4) Names and addresses of two referees.

Applications should be made to the Administration Manager, Manchester Airport Plc, Manchester, M90 1QX, by Friday 21st January 1994.

Cellular working reassessed

Cellular manufacturing was one of the most important tools used by manufacturers in the 1980s to improve their competitiveness, but users are now re-evaluating its benefits, according to a report Ingersoll Engineers.

It is not that employers have gone off the idea of cells – mini-business units that operate semi-autonomously, handling manufacturing or assembly – says the UK-based management consultancy.

Indeed, a phenomenon that Ingersoll dubbed "the quiet revolution" has gained momentum, with penetration up by 40 per cent in three years. Six out of 10 UK engineering companies have switched to cell manufacturing since 1985 and, according to one, "if we hadn't gone to cells, we wouldn't be in business".

What is shifting, according to Ingersoll's report, is the rationale for introducing cells.

Three years ago, it says, the principal objectives were defined in terms of "hard" factors such as better on-time delivery, improved response and reduced stocks. "Soft" or people-oriented factors such as commitment, training and clearly defined responsibilities were seen as important "inputs" for the success of the cells.

However, three years later soft factors are being perceived as "outputs" or benefits.

The result is a much more balanced view of the benefits of hard and soft issues. Team working and empowerment are seen as equally important as quicker throughput and reduced work-in-progress.

The survey found that some 73 per cent of companies use cells, compared with 51 per cent in the previous study, and that a further 7 per cent plan to do so. Significantly, only one company in the sample of 51 had used, and then abandoned, cell techniques.

According to Brian Small, Ingersoll's managing director, cells are creating "a much greater commercial awareness at every level – with significant paybacks for organisations as a whole and with everyone getting closer to the customer".

Andrew Baxter

The Quiet Revolution Continues. Ingersoll Engineers, Bourton Hall, Rugby, Warwickshire, CV23 9SD.

Miners bitten by the gold bug

Ken Gooding looks at how Ashanti is using bacteria to release the precious metal at its processing plant

Gold miners like to think that their latest allies, *Thiobacillus ferro-oxidans*, spend their lives eating and breeding.

They speak affectionately of them as "gold bugs", which munch their way through ore to release precious metal that would otherwise be very difficult to liberate. If bugs are treated well, their number multiplies rapidly.

That is certainly the way that many of those responsible for the world's biggest biological gold processing venture talk about *T. ferro-oxidans*. Their venture, a \$105m (£71m) plant at Ashanti Goldfields in Ghana, starts up well ahead of schedule this week, instead of March as originally planned. The plant is a crucial element in a \$305m, three-year expansion scheme that will take Ashanti's annual gold output above 1m troy ounces and place it among the world's top 10 producers.

When pressed, however, the miners have to admit that the truth about *T. ferro-oxidans* is more complex but no less colourful. These bacteria are among the most odd of this planet's life forms. They require a very acid environment and a temperature of between 30°C and 40°C to do their best work. They are unaffected by high concentrations of most metals.

But they do not "munch" gold ore. They cause enzyme and chemical changes on the gold-bearing sulphide rock, extracting electrons or energy from the ore and breaking the sulphide bonds. That releases the metal. Neither do they breed in the conventional way. Every few hours each single-cell bacterium splits in two – and that leads to the rapid multiplication.

T. ferro-oxidans cannot cause disease because it can only develop on inorganic matter. Those bacteria being employed by Ashanti started life in South Africa at the Fairview gold mine. It was at Fairview that Gencor, the South African mining group, built the first commercial-scale gold processing plant to use biological leaching. Ashanti is relying on technology developed by Gencor; technology that is also being used at the Sao Bento gold mine in Brazil and at the Harbour Lights and Wiluna mines in Western Australia.

Until the mid-1980s, miners used two other methods to break down (or oxidise) refractory (or difficult) ore that otherwise would have released very little of its gold: pressure oxidation and roasting. Both are expensive, and roasting has the added drawback of sending liberated sulphur and arsenic compounds up the chimney. If the compounds are not captured they produces acid rain and poisons the countryside.

Neither of these high-tech processes seem in any great danger from bioleaching, however. Two large gold projects where bioleaching would work well – at Lihir Island in Papua New Guinea and Kanowna Belle in Western Australia – have decided to used pressure oxidation and roasting respectively.

Ashanti considered roasting its refractory ore but opted for bioleaching because operating costs should be lower and it "is the world's most environmentally friendly way of extracting gold from ore", says John Clarke, Ashanti's consulting metallurgist. Roasting also needs high-tech process plant – temperatures of 680°C-700°C are required – and is not really suitable in a country where there are shortages of the skills needed to operate and provide technical support for such equipment.

In contrast, the bioleaching process is relatively simple to operate. "Constancy is the key to successful bioleaching," says Clarke. "Constant material, constant temperature. Always let the bugs acclimatise to their new environment."

Ashanti's plant was built by Minproc, the Australian group. Sulphide ore is crushed into a powder, which is mixed with water in tanks into which the bacteria are introduced. After the bugs have done their work – they take about four days and release more than 90 per cent of the gold – the solution is moved to conventional carbon-in-leach tanks where gold is recovered. The solution containing the free arsenic, sulphur and iron is pumped into neutralisation tanks. Limestone and lime – 150,000-200,000 tonnes a day, accounting for half the operating costs – is added to the solution, which is rendered non-toxic as it hardens to form stable arsenic and sulphur compounds.

Ashanti's plant has six times the capacity of the biggest built so far, but each tank is only twice the size of those at Sao Bento and Wiluna. Clarke suggests it is unlikely that bigger tanks will be used elsewhere because of the need to keep supplying *T. ferro-oxidans* with oxygen and nutrients. Initially, the bugs will be responsible for producing about half Ashanti's gold and, in a year or so, nearly all of it.

The question being asked elsewhere in the gold mining industry is: do the bugs have to be kept in tanks to do their work?

Newmont Mining, biggest of the US gold miners, believes tanks are not necessary. Newmont has built a 20,000-tonne heap of refractory ore at its operations on the Carlin Trend in the Nevada desert and introduced *T. ferro-oxidans* to it. The company has already established that the system works technically and has patented some aspects (such as the way the fluid containing the bugs can be percolated through a large heap of ore and not allowed to get too hot or too cold). Newmont is about to begin a feasibility study to look at capital and operating costs to make sure that its process is commercially viable.

Once the bacteria have done their work, the heap must be washed and neutralised and then the gold extracted by conventional heap-leaching, by which a weak cyanide solution is trickled through the ore to capture the metal.

Newmont is also experimenting with a chemical other than cyanide, though it will not say which.

To boldly go into PC future

Computers that can be controlled by speech are rapidly becoming reality, writes **Geof Wheelwright**

Star Trek has a lot to answer for. The popular science fiction television and film series, first shown in 1966, set high expectations for computers that could be controlled by talking to them – and having them talk back.

Although it has taken a quarter of a century, science fiction is now rapidly becoming reality. Within two years, most personal computers will come with speakers, a microphone, built-in sound processing, CD-Rom players and operating system-level sound software.

Until recently, however, there have been few business applications available to take advantage of these sonic PC appendages. Two promising areas that are emerging are "command and control" and voice annotation. Both offer improved efficiency over keyboards and computer mice and could help to make PCs much easier to use.

Voice "command and control" enables PC users to speak commands to the computer rather than typing them. The advantages are clear, but the drawback of this technology is that it requires the user to spend a long time training the PC sound system to recognise his or her voice.

Even when the system has been trained, it can often be disrupted by background noise. If someone is using the photocopier, the fax machine is beeping or the air-conditioning has just been switched on, the PC may get confused.

This problem can be minimised by wearing a telephone operator-style headset that includes headphones to listen to the sound system and a wrap-around unidirectional microphone that sits only inches from your lips.

Recognition under these circumstances is actually quite good. You will, however, have to get used to the idea of being tethered to your PC. Get up quickly and you find your headset, microphone – and anything else you may be wearing from the neck up – being dragged off your face, not to mention the complications of confusing a telephone headset and the one being used for voice recognition.

The second big area where voice is expected to make inroads is that of document voice annotation. This is where users can add voice "notes" to computer documents.

The idea is that voice annotation of documents provides a quick and easy way of making comments about the content of the documents – without the comments having to become part of the textual or graphic content of the document. Thus changes can be requested to a document without users having to type out those changes.

Voice annotation is expected to be particularly useful in situations where a number of people might be collaborating on preparation of a single document. By using voice annotation as the document is passed around the workgroup over an electronic mail system, the project co-ordinator can make all the changes at once without having to worry about using specialised "versioning" software to keep track of them.

Voice annotation could also be useful in making confidential comments about financial figures in spreadsheets or making comments on marketing presentations before they are completed. Any situation where, in the past, you might have dictated a note to be typed up and attached to a document is a candidate for voice annotation.

If speech-embedding technology continues to use better compression (so that messages do not take up as much disc space or hog the network) and voice command systems can further improve on their accuracy of recognition, while cutting down on the "training" time of the system, then PC users may soon have the power of a starship commander.

Gender latitude on pension schemes

The European Court of Justice has ruled that it is *not unlawful* under European Union law for an employer to make *differing contributions* to a contributory pension scheme for male and female employees.

The case concerned a Mr David Neath, who was made redundant at the age of 54 in 1990 after 17 years service with his employer, Hugh Steeper, a Leeds-based artificial limb manufacturer. During his employment, he had contributed to private occupational pension schemes. Although the employees' contributions to the schemes corresponded to a percentage of their salary which was the same irrespective of their sex, the employer's contributions differed for men and women because of the actuarial factors used.

The scheme in question allowed men to claim a full pension at 65 and women at 60. On his redundancy, Mr Neath was entitled to have his acquired pension rights transferred to another pension scheme or to receive a deferred pension payable at 65. He could also convert part of the deferred pension into a capital sum.

Mr Neath realised that his financial position would be better if the interpretation of the Court's judgment in the Barber case were that his pension could be recalculated on the same basis as his female counterparts for the entire period of his 17 years' service, rather than just for the six weeks subsequent to May 17 1990, the date of the Barber judgment.

He also realised that, whatever the effects in time of the Barber judgment, the value of his pension in whatever form he took it would be lower than a female employee would have received because of the use of the actuarial factors based on the differing life expectancy of men and women.

He brought an action before the Leeds Industrial Tribunal seeking the same pension rights as his female counterparts. The tribunal referred two issues to the European Court: the effect in time of the Barber judgment and the use of actuarial factors differing according to sex.

The first issue was resolved in the Court's judgment of October 6 1993 in the Ten Oever case, where the Court held that the principle of equal pay should apply only to *benefits payable in respect of periods of employment after May 17 1990, except in the case of claims initiated before that date.*

The Court in the present case reiterated this and added that the principle should also apply to transfer benefits and lump-sum options.

On the second issue, the Court had to decide whether the fact that male employees would be entitled to less than their female counterparts because of the use of actuarial factors was compatible with EC equal pay rules.

To decide this, the Court had to determine whether the transfer benefits and lump-sum options available to Mr Neath amounted to pay. The European Commission argued they should be treated as pay and that, thus, no differences in treatment based on sex could exist unless objectively justified. *Statistical data based on the life* expectancy of men and women were not objectively justified as they reflected averages, whereas the right to equal treatment was given to individual employees.

The Court rejected this argument. It said the concept of pay encompassed the commitment given by an employer to pay an employee defined benefits or specific advantages. Anything outside that commitment did not constitute pay.

In the context of an occupational pension scheme, the employer's commitment was the payment of a periodic pension at a particular moment in time. However, the commitment did not include the funding arrangements by which the periodic payment would be secured. Thus, an employer's contributions to a pension scheme which were unequal due to the use of different actuarial factors for men and women were not incompatible with EC equal pay rules.

The Court ruled that this principle covered transfer benefits and lump-sum options, the value of which could be determined only by reference to the particular funding arrangements in question.

C-152/91: David Neath v Hugh Steeper Ltd, ECJ FC, 22 December 1993.

BRICK COURT CHAMBERS, BRUSSELS.

Dissatisfied clients at Europe's Bars

A barrier-free market is a long way off, says **Robert Rice**

One year after the unveiling of the European Single Market, lawyers are still some way from establishing a free market in legal services.

Progress has been made towards lowering the barriers which prevent lawyers practising in foreign jurisdictions. In Europe, the European Commission is considering a draft establishment directive giving lawyers the right to set up shop in foreign jurisdictions, while globally, there have been efforts to open up legal services under the auspices of the General Agreement on Trade and Tariffs. However, agreement at both levels has proved elusive.

Mr John Toulmin QC, the outgoing president *of the Council of the* Bars and Law Societies of Europe (CCBE), an umbrella organisation for the European legal profession, *says agreement is now urgent.* There has been a large rise in demand for cross-border legal services in the past five years, he says, largely the result of the globalisation of business.

If lawyers are going to meet the new and increased demands from clients they must move towards a unified position on legal practice and regulation, he adds. Mr Toulmin remains optimistic about achieving a single market for legal services in Europe, in spite of the lack of progress since the CCBE submitted its draft establishment directive to the Commission in 1992.

Despite opposition from some EC member states, the Commission is pressing ahead with the draft directive. At a meeting with Commission officials in December, the CCBE was assured that the Commission's final draft would be published within three months.

The need for uniform rules governing lawyers' rights to practise in the EU is accepted by the Commission, he says, and by most of the European Bars. There are a number of issues which remain unsettled, such as the question of whether after three years' practice in a foreign jurisdiction a foreign lawyer should be able to, or should be required to, become a full member of the Bar of the host member state. Mr Toulmin says agreement on the directive can be reached by the end of the year.

A Gatt deal on legal services, in contrast, may prove harder to achieve. Representatives of the CCBE, Gatt and the American and Japanese Bars met in France last October to try and settle the outstanding obstacles to a global legal services deal.

One of the main issues is the US and Japanese refusal to allow foreign lawyers to practise in the US or Japan until they have practised in their own country for five of the previous seven years.

This stipulation makes it more expensive for foreign firms to open up offices in Japan or the US


John Toulmin: agreement overdue

because they would have to staff them with experienced – and expensive – lawyers.

At the meeting in France, there were signs that both the Americans and the Japanese may be prepared to relax the five-year rule. The US is considering reducing or abolishing the rule. In Japan there has already been a softening of the stipulation with the Japanese now saying two years' practice outside a foreign lawyer's own jurisdiction would also be sufficient.

The Japanese also agreed to look again at domestic rules which prevent foreign lawyers in Japan advising local firms on the law of a foreign jurisdiction – a restriction Mr Toulmin describes as "absurd".

The main sticking point to a Gatt legal services agreement is the nature of the work that foreign lawyers should be able to practise in overseas jurisdictions.

The Americans do not necessarily want individual US lawyers to be able to practise the local law of a foreign jurisdiction, but they do want to be able to offer a local service by hiring local lawyers and, potentially, appointing local partners anywhere in the world. The head of the US delegation at the meeting in France, Mr Steve Nelson, a partner of Dorsey & Whitney, said the aim was to be able to form "international multinational partnerships".

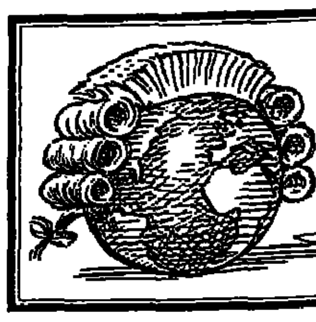
European and Japanese Bars oppose this. The CCBE position is that foreign lawyers should be able *to advise on their own national law* and on international law but not on the law of the host state. EC law, however, would be treated as part *of the national law of each member* state, which would mean US firms in Europe would not be able to advise on EC legislation.

The main disadvantage of a global legal services deal would be that it could undermine bilateral or multilateral deals outside the Gatt. For example, such a deal might threaten bilateral pacts between the US and the UK under which American and English lawyers can form multinational partnerships.

Mr Toulmin points to a formula which could allow progress on a global legal services deal. Foreign lawyers could advise on their own law and on international law and take part in all arbitrations except domestic ones. They would have to register with the local competent authority and submit to local conduct and disciplinary rules provided those rules conform with accepted standards. This would be the minimum requirement entitling a state to most-favoured nation treatment for legal services – that is, exemption from the requirement under the Gatt general services agreement to give equal market access to all trading partners.

Mr Toulmin accepts that not all European member states would find such an approach acceptable. But he warns that unless someone produces a positive formula for an agreement soon, a deal on global legal services could prove impossible. That, he adds, would be a serious setback for both lawyers and their clients.

LEGAL BRIEFS



Contradictory finding on law firm defections

The increasingly competitive nature of the legal services industry in the US was underlined by a recent California Supreme Court decision allowing law firms to include clauses in partnership agreements designed to prevent partners defecting and setting up in competition.

The decision has caused a stir in US commercial legal circles because it contradicts a 1989 ruling by the New York Court of Appeals *that such clauses amount* to an unlawful restraint of trade.

The New York court ruled that any clause in a partnership agreement providing for the witholding of profit share if a partner defects would amount to an unfair restraint on a lawyer's freedom to practise where he chose and could also interfere with clients' rights *to* instruct the lawyer of their choice.

But the California Supreme Court, in its December decision, said that law firms should not be treated differently from other business partnerships which are allowed to enter into such anti-competitive agreements under Californian law.

"A revolution in the practice of law has occurred requiring the economic interests of the law firm to be protected as they are in other business enterprises," the court said.

The case arose after the defection in 1987 of several partners from the Los Angeles firm of Parker Stanbury Babcock Combs and Bergsten to set up the rival firm of Howard Moss Loveder Strickroth & Walker in nearby Santa Ana. The partners claimed they had been denied their share of the profits for unbilled work and work in progress when they left.

Competitive improvement

Significant *improvements* in the European Commission's handling of competition cases have been called for by the House of Lords Select Committee on *the European* Communities.

The Committee, chaired by Lord Slynn, the Law Lord and former British judge at *the European* Court of Justice, is opposed to fundamental structural change such as hiving-off competition investigations to a separate authority, but it calls for changes in Commission procedures.

The Lords recommend improved access for businesses *to the* Commission's file on a complaint or investigation, with powers for the independent official known as *the hearing officer* to rule on conflicts between access and confidentiality.

Where national inspectors carry *out* "*dawn raids*" on business premises for the Commission they should work under identical guidelines to Commission inspectors.

When the Commission closes an investigation with a "comfort letter" indicating, without a formal decision, it does not intend to take further action, it should explain its findings more clearly.

There should be more block exemptions from the competition rules covering wide categories of cases to reduce the need for individual companies to apply for an exemption.

Reasons for imposing a fine *should be set out fully.*

The Competition Directorate (DGIV) and the Court of First Instance in Luxembourg (*CFI*) (which handles competition cases) should have better resources.

Procedural changes recommended by the Committee include:

- mandatory timetables to be laid down at the outset of an investigation for a formal decision;
- appeals against a ruling of a hearing officer to a single judge of the CFI;
- leave of a national judge required before a Commission decision ordering an investigation is carried out against the wishes of the company concerned;
- a simplified new procedure leading to a decision by a single Commissioner;
- investigation and assessment of appropriate cases delegated to national competition authorities;
- and harmonisation of national remedies, notably on damages, injunctions and interim measures.

PEOPLE

Morton moves, but stays put

Clive Morton, currently director of personnel for Northern Electric, has been appointed personnel director for the Rolls-Royce Industrial Power Group, replacing Petter Tweddle, who is retiring.

Morton will also become a member of the Rolls-Royce Industrial Power Group board – *a key factor in his decision* to accept the job although he has been with Northern Electric, where he was not a board member, for *less than* two years.

His new post, for which he was headhunted, is based at Industrial Power Group's headquarters in Newcastle. This was also an important consideration for the 50-year-old Londoner, who has become one of the best known figures in north east England's business community since moving to the region in 1986 as director of personnel and administration for Komatsu UK.

While with Komatsu, the Japanese-owned earth moving equipment manufacturer, Morton set up the company's plant at Birtley, Tyne and Wear, and also established a reputation as a vociferous champion of Japanese-style management methods.

At Northern Electric, he has introduced cultural changes including a move towards a team working, rather than a sequential, structure, and also negotiated a single agreement with the four trades unions representing employees, in order to increase flexibility and efficiency.

He says it is too soon to say what changes he might make at Industrial Power Group, although he will be looking to see whether he could help introduce more world class processes.

The decision to leave Northern Electric was very difficult to make, he says, but his new post is a great opportunity to join a major manufacturer and exporter, as a board member. He will take up his new position in the next few months.

■ Tony Frendo, managing director, finance and administration, and a main board *director at ARGYLL, the food* retailing group, is resigning at the end of the month to pursue other business interests.

Frendo, 46, says that after 20 years with two companies – 10 with Sir James Goldsmith's Cavenham group, and 10 with *Argyll – and after more than* eight years in the same job, he is looking for a new challenge.

At Argyll, *such* a challenge might have been presented by the chief executive's job, but that role recently went to Colin Smith, previously finance director. "I have got to the point where I would like more variety," says Frendo. "I would like to move away from a mainstream job with one company, to taking up a series of directorships, working with different people."

He says an example of that might be representing a venture capital business on the board of another company. He believes he has a number of skills to offer, *especially* in integrating new acquisitions. At Argyll, he was deeply involved in integrating Safeway, acquired *in 1987.*

As for as his immediate plans, Frendo says he is "pursuing a number of things, but *they are at an early stage*".

■ Gillian O'Connor, one of the longest serving editors of the Investors *Chronicle*, is joining the Financial Times as personal finance editor. The IC, which is owned by the FT, has been edited by O'Connor, 52, since October 1982. She joined the weekly magazine in April 1971 when Andreas Whittam Smith was editor and took over as editor from Michael Brett. During her time the IC's circulation has risen from under 30,000 to a peak of over 70,000 in 1987, and is currently believed to be around 50,000. She joins the FT at the *end of next month and takes* over from Philip Coggan, who has been appointed economics correspondent.

■ Goldman Sachs, the US investment bank renowned for the *size of its staff* bonuses, is continuing to poach top-rated analysts from its London rivals. *Latest* recruits are Marc Gilbard, 31, and Graham Stanley, 30, the leading members of NatWest Securities' property research team. They were ranked first in the Institutional Investor's 1993 All-Europe Research Team and third in the 1993 Extel Financial Ranking of Investment Analysts. Last month, Goldman lured two leading oil industry analysts, Rob Arnott and Peter Nicol, away from S G Warburg and last summer Neil Blackley, *a leading media analyst, joined* from James Capel.

■ Clare Spottiswoode, the new *gas industry regulator, continues* to beef up her staff ahead of the deregulation of the gas industry prompted by the recent *monopoly inquiry.*

She has appointed Eileen Marshall to the newly created post of chief economic adviser where *she will lead the* in-house team of economists. Marshall, who joins Ofgas on April 1, is currently director of regulation and *business affairs* at Offer, the electricity regulator. She will be replaced by Tony Boorman, the director of consumer affairs.

■ Paul Loft and James Murphy have been appointed to the board of Debenhams; *Philip Wrigley* has resigned following promotion to another part of the BURTON GROUP. John Hodges is appointed *company secretary in place* of Ian Jackman who remains on the board.

■ Terry Hockley *has been promoted to international md* of BETTERWARE; he is succeeded as finance director by Peter Hartley, *formerly md* of Texas Homecare.

■ Brent Ballantyne, president and ceo of Maple Leaf Foods, has been appointed to the board of parent HILLSDOWN HOLDINGS.

■ Bridget Hogge, formerly financial director of Reebok UK, has been appointed md of Berghaus, part of PENTLAND.

■ Chris Andrews, executive vice-president of RHONE POULENC's organic and inorganic sector, based in Paris, has been appointed md of Rhone Poulenc Chemicals; *he succeeds Keith Humphreys*, who continues as chairman and md of Rhone Poulenc UK.

■ Alan Taylor, formerly *commercial* director of Safeway, has been appointed md of TBD, part of JOHN MENZIES GROUP.

■ *Julian Schild*, group finance director, is also appointed deputy chairman of HUNTLEIGH TECHNOLOGY *and John Wotton* its group, md and chief executive of HNE Healthcare. Gerard Wainwright, previously chief executive of the Nesbit Evans Group, becomes joint md of HNE Healthcare UK on the acquisition of Nesbit, and joins the group board.


Baroness Dean (above left), of Thornton-le-Fylde, formerly Brenda Dean who was general secretary of the trade union Sogat, has gained her first non-executive directorship. She is joining the board of INVERESK, the Fife-based specialist paper group, which floated on the stock exchange last year.

The company has also appointed Bill Goodall (above right) as non-executive chairman, replacing Ingram Lenton who is resigning his directorships because of ill-health.

Dean, who became a Labour life peer last year after stepping down as deputy general secretary of the GPMU, into which Sogat – the principal union for paper workers – merged, won the respect of the paper industry for her constructive attitude to change. The industry last year awarded her its gold medal.

Lenton, a former managing director of the papermakers Bowater, chaired Inveresk after its management bought it out of Georgia Pacific in 1990 and steered *it* through last *year's* flotation. Goodall, who retired as executive chairman of the mini-conglomerate Scapa Group in October, was *intended to be* Lenton's successor but has had his appointment to the chair speeded up.

Inveresk now complies with the *Cadbury Report strictures*, having a non-executive chairman and, now with Dean, two non-executive directors. Ian Boyd, finance director of Weir Group, joined the board last year.

■ Andy Ripley, the former England rugby union international, has been appointed a non-executive director of Cater Allen Members' Agency, the Lloyd's agent. Ripley, now 46, is a chartered accountant who worked for 16 years in the City with Midland, Citibank, and the United Bank of Kuwait, before setting up his own businesses. He has been a Name at Lloyd's since 1985.

■ Charles Carter and Nuno de Brito e Cunha have been reappointed non-executive directors at JOHNSON & HIGGINS HOLDINGS following the abandonment of London Market Investors of which they were co-chief executives.

Concert

Players of promise in the PLG

Every January the Park Lane Group sets about shaking off the sleepiness that grips London music over the new year period. Since 1956 the game plan for doing so has remained pretty well fixed: a five-evening series of chamber concerts in the Purcell Room, two each evening, in which young artists tackle choice varieties and careful combinations of 20th-century music.

The 38th series (January 9-13) is under way. In advance one may have wondered – as one has tended to in recent years – whether the PLG formula had become tamely predictable, had even outlived its usefulness. But then Sunday's opening presentations brought on three young players of promise, each of whom one was glad to encounter for the first time, each of whom programmed a wide selection of (mainly) post-war music. The suspicion was once again proved unworthy and unjust, in the most satisfying of ways.

The most remarkable of the three youngsters, Jonathan Kelly, was last year appointed principal oboe of the City of Birmingham Symphony. No wonder: he is a simply smashing player, an on-the-toes virtuoso whose delivery boasts a leaner timbre, a sharper definition to the line than is common with British woodwind players (no doubt the training under Maurice Bourgue in Paris had something to do with it).

He made light, in both senses, of the musical and interpretative demands of two modern oboe-and-piano showpieces, Richard Rodney Bennett's *After Syrinx I* and Paul Patterson's *Duologue* (the trim rhythms of his pianist, Alison Procter, provided strong ballast). A new piece by Jonathan Dove, first of this year's PLG commissions, extended the range into long-breathed lyricism – a short Irish-folksong fantasy, it is titled *Music for a Lovelorn Lenanshee* and combines craftsmanlike skill and salon-music charm. Thea Musgrave's *Niobe* for oboe and tape, its patterns no less elegantly threaded, completed the impression of fine-focused musicianship.

For this player a bright future is easily predicted. For the two pianists – the Russian Olga Balakleets, who occupied the early-evening session, and Lisa Loh from Hong Kong, who rounded out the later one alongside Mr Kelly – the crystal ball is slightly cloudier.

Still, both gave considerable pleasure. The first, assertive but never overbearing, keen in directing every musical current, made a particular success of Martin Butler's *On the Rocks* (1992), a fluent, somewhat wry-flavoured, always appealing tribute to Debussy's *La Mer*. The second, who stepped in to the series at a late stage in place of an ailing mezzo-soprano, revealed an unflappably cultivated touch and a sinuous sense of phrase in Dutilleux, Messiaen and the Canadian composer François Morel.

Max Loppert

Purcell Room, South Bank, London SE1

Etched on the memory

William Packer on recent work by Chris Orr and Norman Ackroyd

To think of prints within the context of British art in the last 30 years is to think first of the mass of screen-prints, then of the offset lithographs that were published in large editions to make contemporary art available to a wider public. So ran the argument in the entrepreneurial 1960s, and still it runs.

That these "original works of art" proved not so cheap reflects not merely the undoubted technical skills of the master printers who, for the most part, made them for the supervising artists, nor the increasingly sophisticated machinery at their command, but also a natural business acumen. After all, an edition of 500 at only £500 a throw comes to – well, quite a lot, even after overheads. There are not so very many artists even today who can command as much for a single painting.

Good luck to them. I make the point only to make the further point that such essentially commercial an enterprise was superimposed upon the much older practice of the artist-printmaker, who works directly upon the block or plate or stone, draws or engraves or etches it, and proofs the thing himself. Such is the true "original print", small in the edition, direct in the expression, the product of labour as intensive and personal as the creative process itself.

In this we have a strong and continuing tradition that goes back through early Hockney, early Freud and early Sutherland to Brockhurst, Strang, Menpes, Sickert, Hayden, Whistler, Keane and Cruikshank and beyond. Two of the best and most idiosyncratic of our current etchers, both of them well into their mature careers, are now showing together for a short time at the Bankside Gallery.

With Chris Orr we find ourselves indeed looking further back to the gleeful graphic scurrilities of the 18th century and the Regency, though rather to the ribaldry of Rowlandson and Hogarth's more general social satires than to Gillray's wickedly particular political attack. Orr is in fact hardly a satirist at all, so genial and affectionate is his view of man's foibles and preoccupations, whether carnal or spiritual. His suite on the life of William Blake is quite as touching as it is hilarious, taking up incidents and quotations of his wonderful visionary innocence – the tree full of angels on Peckham Rye, for example; the Tyger leaping on his bed; his belief that the world was flat; and this exchange with his wife: "Good God, here's Edward III." "Where?" "On the other side of the table, you can't see him, but I do, it's his first visit."

But Orr's most engaging image is the large "Small Titanic", a cut-away side view of the ship full steam ahead, deck by deck, cabin by cabin, gloriously incidental, improbable and inconsequential. There, puffing contentedly at his pipe, is the captain at the wheel and there, far below, the mermaid consoling the crew. And in between? Everything you can imagine: a salesman in ladies' underwear knocking at a cabin door, chickens running round the galley floor, the washing hanging out on deck, the whole world kissing, flirting, flapping, ogling the day away. Wonderful.

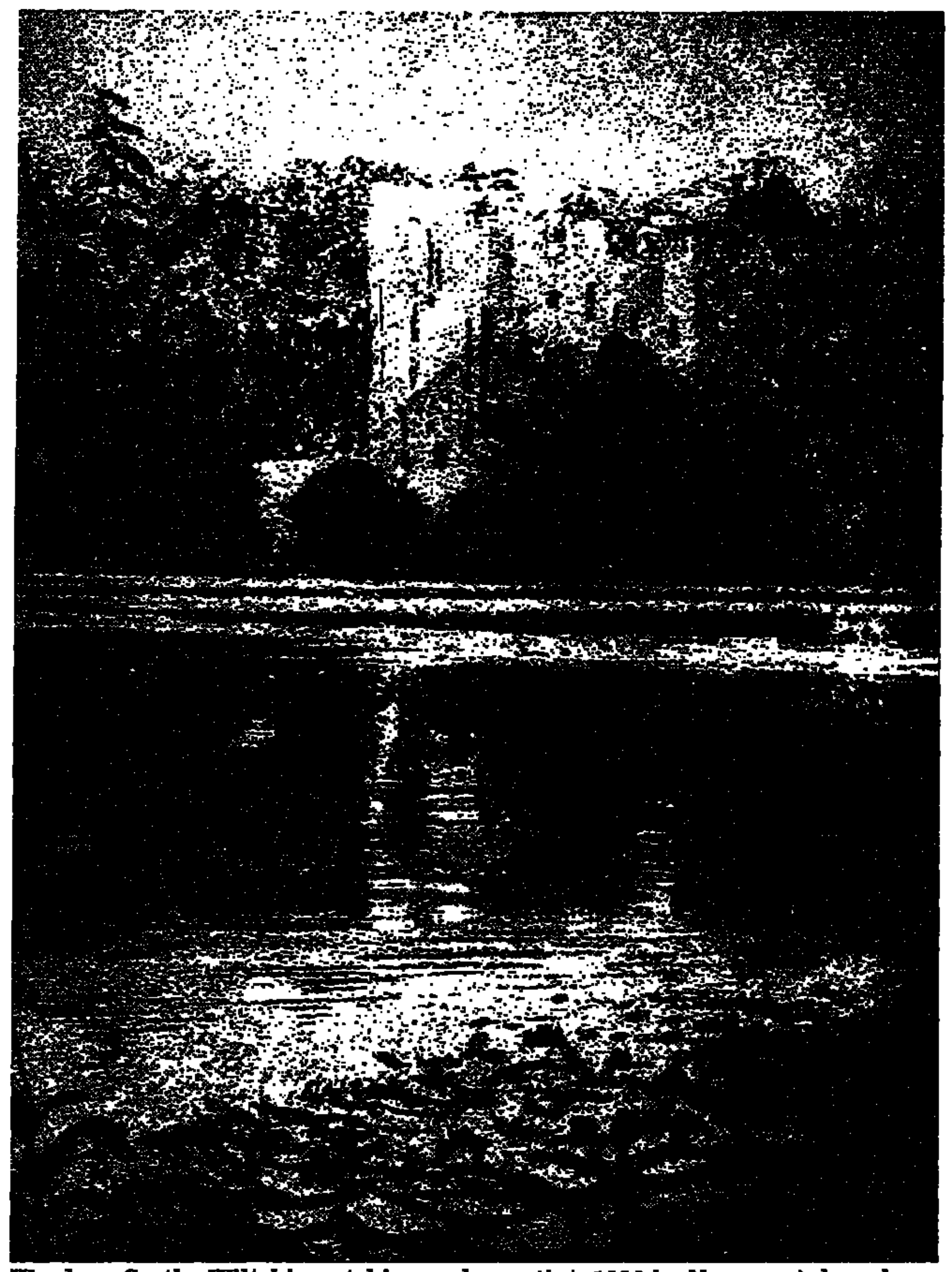
Orr's drawing as such is deceptively awkward, knowingly innocent, retaining the directness and vivacity of the talented schoolboy artist, just as in the imagery he retains so much of the vivid, jokey, smutty inventiveness of the schoolboy – as though he were Just William off to art school. Any such impression, true as it is to the spirit of the work, belies its technical quality. For these prints are beautifully made, so beautifully that we hardly notice, as we are drawn, engrossed, into the action.

Norman Ackroyd is another consummate technical etcher, albeit of rather different and infinitely adventurous a kind. Where Orr uses line, drawn and etched in the usual way, Ackroyd has taken the use of aquatint – in itself a standard technique – to the limits of its expressive potential. Aquatint was always available as a means of establishing broad areas of tone, varied by the time spent in the acid, in relation to whatever the drawn image might be. What Ackroyd does is simply to use it with the freedom of watercolour, and the plate itself as though it were but a page in the sketchbook. He even dispenses with the aquatint altogether, drawing in acid on the plate directly with the brush, as though it were but water from the pot.

The effects he achieves place him in direct line with that romantic landscape tradition that is one of the glories of British art. And his practice, too, of setting off to remote and romantic places and using his art to keep topographical account of his journeyings, places him honourably in the steps of his heroes, such as Turner and Crome. The economy of the statement is remarkable, a horizontal line to set the space, a tonal sweep for cloud or mist or hillside, a flicker of interest for undergrowth, an evocative shadow for the ghost of a tree or a rock or a gable end. Sometimes there will be a focus of detail more closely worked and resolved, but not always. And yet there these places are as we know them, if only by power of imagination, from the Stacs of St Kilda to the ramparts of Cadbury Castle – "Yet still the blood is strong, the heart is Highland,/ And we in dreams behold the Hebrides."

He is using the opportunity at Bankside to make a short review of the work that has come of his more recent expeditions: the Western Shore (Ireland 1987); The Pictish Coast (Scotland 1988); Saint Kilda (1989); the Windrush (1990); the Summer Isles (Hebrides 1991); and North South East West (all over the place), all published by the Penny Press and sold as folios or single prints unless already sold out.

Norman Ackroyd & Chris Orr: Bankside Gallery, 48 Hopton Street, SE1, until January 19.



Wardour Castle, Wiltshire: etching and aquatint, 1992 by Norman Ackroyd

Alastair Muir

Naomi Harvey as La Musica in English Bach Festival's production of 'L'Orfeo' at Covent Garden

Opera/**David Murray**

Monteverdi à la grecque

Though the English Bach Festival may be in deep financial trouble, its founder-director Lina Lalandi is determined that it will go down, if it must, with all flags proudly flying. The EBF's Monteverdi at Covent Garden on Sunday – his noble *L'Orfeo*, realised with scrupulous "period" attention to the composer's musical plan (but no castrati) – may even have had its last performance as well as its first, should its provisional Spanish tour misfire. EBF productions are prepared to a very high standard, very expensively; here, the price of seats in the Royal Opera stalls left too many of them unfilled.

Spanish readers should insist upon hearing this *Orfeo* with all the Latin urgency at their command; it is far too good to be left dangling. It is not exactly a "revelation", as some earlier baroque excursions by the EBF have been; for after centuries of neglect this 1607 opera has lately been taken up far and wide – in widely different versions and adaptations, some aiming no less keenly at "authenticity". But Sunday's performance was satisfying, beautiful, and beautifully consistent in its own particular terms.

Those terms were special, though never eccentric. On the one hand, the music was entrusted to period-specialist singers (17 of them, many doubling as solo *personae* and as choristers) and period-instrument players of a high calibre. The roll-call of the latter matched Monteverdi's specified crew closely; divided between the front corners of the stage – each team boasting its own imposing viola da gamba – their virtuosity and their vividly various timbres conquered the flat Royal Opera acoustic brilliantly. We have heard leaner "authentic" treatments of the music, but the richer, boldly dramatic contrasts here sounded plausible as could be.

On the other hand, the customary EBF concern with visual period-details was suspended in favour of Getting Back to the Greek (Miss Lalandi *is* Greek.) Instead of replicating the costumes, stage-gestures and dances of Monteverdi's Renaissance time, Tom Hawkes's production was dressed in faithful Ancient Greek clothes – with more sophisticated dyes, perhaps – and antique-style crowns and bracelets by the jeweller Ilias Lalaounis, enacted with restrained, stylised gestures, and in homely choreography by Sarah Cremer. To have shepherds skipping in circles, short chitons and big rustic smiles was a bit of a risk, but nobody actually laughed.

The considered depths of the opera were made too palpable for frivolous reactions. Against Howard Williams' vital account of the score, the solo singers and the well-tuned chorus stood out superbly, searching out the expressive force of Monteverdi's lines. The one weakness was their foggy Italian (Monteverdi cared enormously about the *words*): in the Prologue Naomi Harvey's prettily-sung "La Musica" was particularly muzzy. Marilyn Hill Smith was a poised Eurydice with a matronly grace, Della Jones a fine, quietly intense Messenger.

In the title-part the baritone Russell Smythe was properly heroic, alight with passionate feeling, and with all the necessary resources – Monteverdi's Orpheus is a cruelly taxing sing – to carry him through the great plaints of Acts 3 and 5. Among the lesser players the bass Graeme Broadbent gave splendid weight to Pluto, lord of the underworld, but to praise his colleagues fairly would require listing all of them. Peter Rice's basic design, an elegant three-doored temple frontage, sometimes became transparent to afford visions further back, notably a tableau of Charon ferrying the dead across the Styx. It all hung together, without fuss; we felt we were hearing Monteverdi plain, and very rewarding it was.

David Murray

Sponsor: A.G. Leventis Foundation

Theatre/**Andrew St George**

Fine twists to Veronica's Room

Ira Levin has written some fine thrillers, including *Rosemary's Baby*, *The Stepford Wives* and *The Boys From Brazil*. He has been mining a rich psychological seam below the surface of ordinary life. Now the Haymarket Theatre Basingstoke has found a little 90 minute nugget by Levin called *Veronica's Room*. It is clever, knotty, scary and well worth seeing.

The plot is a gem. It is 1973. Susan and Larry are spotted in a restaurant by an Irish couple, Maureen and John, who claim Susan is the image of their dead employers' dead daughter, Veronica. They persuade Susan to dress up as Veronica from the 1930s, and plunge her into a nightmare role-play by appearing as their employers, Veronica's parents. The more Susan-Veronica protests it is 1973, the madder she seems. There are two fine twists too good to reveal.

Levin writes about psychoses or disorders by confining them to one place, as he does in his novel *Sliver* where the action is set in one high-rise. In *Veronica's Room* beneath the gloss of Nixon's America lies the normalcy of Roosevelt's and beneath that a cesspool of incest, murder and guilt. The play looks apt for 1990s America, too, because it is all about memories and false memories of childhood. There is now a support group for those people suffering from False Memory Syndrome: they *thought* they were abused in childhood but turn out not to be and still suffer as if they had been, a lose-lose situation.

The play is more made-for-TV than stage, and the actors who have to make big gestures out of small but vital details are sometimes like the cartoon characters flailing in mid-air and getting nowhere. There is still a rough edge to the central performances from Frances White (Maureen), Catherine Cusack (Susan) and Duncan Law (Larry), but they should learn from the excellent William Franklyn (John) who plays everything pared down and understated.

The oppressive set (Elroy Ashmore) works well in the refurbished Haymarket to turn intimacy with the stage into claustrophobia. Adrian Reynolds' direction is hampered by the necessary interval (theatre bars contribute substantially to income). If the Haymarket can maintain this level of energy and invention, it will have a good year.

The Haymarket Theatre, Basingstoke (0256 465566) until January 29

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Hilliard Ensemble. Tomorrow, Thurs, Fri, Sun afternoon: Gerd Albrecht conducts Royal Concertgebouw Orchestra in works by Mozart and Bruckner. Sat afternoon: Valery Gergiev conducts Rotterdam Philharmonic in Beethoven and Shostakovich. Sun: Mitsuko Uchida piano recital. Next Mon, Wed: Beaux Arts Trio plays Korngold, Beethoven and Dvorak. Next Tues: Christa Ludwig song recital (020-671 8345)
Muziektheater Tomorrow: Graeme Jenkins conducts first night of Pierre Audi's new production of Mozart's Il re pastore, with a cast led by Bruce Ford and Teresa Ringholz (repeated Jan 14, 16, 19, 21, 24, 26, 28). Jan 27: revival of Wozzeck (020-625 5455)

■ ANTWERP

de Vlaamse Opera Jan 16, 18, 19, 21, 22: René Jacobs conducts Gilbert Deflo's production of L'Incoronazione di Poppea, with a cast including Ann Panagulias, Debora Beronesi, Jennifer Larmore and Guy de Mey (03-233 6685)
deSingel Tomorrow: Robert Holl song recital. Jan 18, Feb 1, Feb 15: Beethoven piano concerto cycle with Christian Zacharias and Beethoven Academie (03-248 3800)

■ BASLE

Casino Tomorrow, Thurs: Walter Weller conducts Basle Symphony Orchestra in works by Mendelssohn and Dvorak, with soloists Doris and Karin Adam. Sat: Isabelle van Keulen and Tabea Zimmermann play violin and viola duos. Sun morning: I Salonisti (061-272 1176)

■ BRUSSELS

Palais des Beaux Arts Sun afternoon: Alexander Rahbari conducts Belgian Radio Orchestra in Mendelssohn, Liszt and Schubert, with piano soloist David Lively. Next Mon: Concerto Köln plays Mozart and Dussek. Next Wed, Thurs: Anatol Ugorski piano recital (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY
Daniel Barenboim is resident conductor for most of the next six weeks. Tonight: Scriabin and Tchaikovsky. Thurs, Fri, Sat: Gidon Kremer plays Berg's Violin Concerto. Next Tues: Wagner and Bruckner. Jan 27-Feb 1: all-Mozart. Feb 17: world premiere of new Elliott Carter work (312-435 6666)

CHICAGO LYRIC OPERA
Il trovatore can be seen tonight, Jan 15, 19 and 22, with Lyuba Kazarnovskaya, Chris Merritt, Dolora Zajick and Paolo Gavanelli. Daniel Barenboim makes his Lyric Opera debut on Jan 24 conducting Wozzeck, in the production by Patrice Chéreau first seen in Paris. La traviata returns on Jan 29 with June Anderson and Roberto Alagna (312-332 2244)

THEATRE
● The Destiny of Me: Larry Kramer's latest autobiographical work, in which Aids activist Ned Weeks grapples with his past as he battles Aids. Opens on Thurs at Next Theatre Company (708-475 1875)
● The Don Juan Project: Baliwick Repertory, one of Chicago's adventurous small theatres, presents eight takes on one of literature's most famous rakes - from a new version of Jose Zorrilla's 1884 play Don Juan, to Shaw's Don Juan in Hell and a new feminist revision. Opens Sat (312-327 5252)
● The Rise and Fall of Little Voice: Steppenwolf Theater Company presents the American premiere of Jim Cartwright's Olivier Award-winning drama about a young girl with an uncanny ability to imitate famous singers. Till Jan 30 (312-335 1650)
● Oleanna: David Mamet's two-hander about sexual harassment has become one of the most-produced plays in America. Wellington Theatre's production is directed by Michael Maggio (312-975 7171)
● Second City: the improvisational comedy craze was born in Chicago, and Second City is still its hub. Catch a comedy revue on the mainstage or the company's smaller theatre, Second City ETC (312-337 3992)

■ THE HAGUE

AT&T Danstheater Thurs: Nederlands Dans Theater premieres new work by Hans van Manen, music by Frank Martin. Repeated Jan 14, 15, 27, 28, Feb 2, 3 4 in The Hague, Jan 21, 22 in Rotterdam and Jan 23, 29 and 30 in Amsterdam (070-360 4930)
Dr Anton Philipszaal Thurs, Fri: Vassili Sinaiski conducts Hague Philharmonic Orchestra in works by Beethoven and Schumann, with cello soloist Ralph Kirshbaum. Sinaiski conducts an alternative programme on Sun afternoon, with piano soloist Naum Grubert (070-360 9810)

■ VIENNA

OPERA
Staatsoper Tonight, Fri: La traviata with Julia Varady. Tomorrow, next Mon: Giselle. Thurs, Sun, next Wed and Sat: Boris Godunov with Samuel Ramey and Olga Borodina. Sat: Il barbiere di Siviglia with Thomas Hampson. Jan 23, 27, 30: Colin Davis conducts Idomeneo, with Siegfried Jerusalem and Anne Sofie von Otter (51444 2955)
Kammeroper Sat: Austrian premiere of Massenet's Chérubin. Runs till Feb 26 (513 6072)

CONCERTS
Musikverein Tonight: Lynn Harrell cello recital. Tomorrow, Thurs, Fri: Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra in Bruckner, Berg and Beethoven, with violin soloist Ernst Kovacic. Fri and Sat afternoons, Sun morning: Bernard Haitink conducts Vienna Philharmonic in Haydn, Berg and Schubert. Fri and Sun (Brahms Saal): Boje Skovhus song recital. Jan 24-27: Philharmonia/Sinopoli Mahler cycle (505 8190)
Konzerthaus Tomorrow: Francisco Araiza song recital. Jan 15-23: festival of 16th century music, featuring the Gabrieli Consort under Paul McCreesh, La Capella Reial de Catalunya under Jordi Savall and other early music specialists. Jan 30: Midori (712 1211)

■ WASHINGTON

MUSIC
● Washington Opera gives the world premiere on Sat of Dominick Argento's The Dream of Valentino. Robert Brubaker sings the title role, Christopher Keene conducts and Ann Margaret Pettersson produces in designs by John Conklin and Valentino Garavani. In repertory at Eisenhower Theater till Feb 13 with La fille du régiment and Ariadne auf Naxos (202-467 4600)
● Daniele Gatti conducts National Symphony Orchestra on Thurs, Fri, Sat and next Tues at Kennedy Center Concert Hall. The programme includes works by Liszt and Mahler (202-467 4600)
● David Zinman conducts Baltimore Symphony Orchestra in works by Smetana, Grieg and Dvorak on Fri, Sat and Sun afternoon at Baltimore's Joseph Meyerhoff Symphony Hall. Jan 20, 21, 22: Radu Lupu plays Beethoven (410-783 8000)

THEATRE
● The Will Rogers Follies: the Tony Award-winning musical, choreographed by Tommy Tune, runs daily except Mon till Jan 30 (Kennedy Center Opera House 202-467 4600)
● Loose Knit: Theresa Rebeck's comedy about five women in their thirties who form an old-fashioned knitting circle and weekly gab fest in New York. Opens tomorrow (Source Theater 202-232 8012)
● Death and the Maiden: Ariel Dorfman's Chilean tale of crime, conscience and moral ambiguity, directed by Daniel Fish. Opens tomorrow (Studio Theater 202-232 3300)
● Goodnight Desdemona: the 1990 winner of the Canadian Drama Award is a comedy joining Othello and Romeo and Juliet. Opens Thurs (Woolly Mammoth 202-393 3939)

■ ZURICH

Opernhaus Tomorrow: Der Rosenkavalier. Thurs: Die Zauberflöte. Sat: Andrea Chenier. Sun afternoon: Fidelio. Sun evening: Glazunov's ballet Raymonda. Next Mon: Olaf Bär sings Winterreise. Next Wed: revival of Lucia di Lammermoor with Edita Gruberova (01-262 0909)
Tonhalle Tomorrow, Thurs: Matthias Aeschbacher conducts Tonhalle Orchestra. Sat: Simon Estes sings spirituals (01-261 1600)
Schauspielhaus Thurs: Swiss premiere of Oleanna, David Mamet's controversial play about sexual harassment and political correctness. In repertory with Peter Shaffer's Black Comedy (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Wars across the water

Charles Batchelor on ticket prices for a Channel crossing

The children are restless. The drive to Dover is taking its toll on tempers. French shops and beaches beckon. But first you have to cross the Channel. Do you take advantage of special offers from ferry operators and take your family on 1½ hour – possibly choppy – sea passage for as little as £20? Or do you use the newly-opened Channel tunnel for £240 and a 27-minute crossing?

The question will face many families this summer. Already it is plaguing the Channel tunnel operators. If enough British families choose the faster route to the continent after the tunnel opens on May 7, the project should soon start to pay off the estimated £10bn construction cost. If families choose a rival form of transport, then Eurotunnel's financial projections will once again need to be revised.

Some idea about how competitive the tunnel will prove should emerge today when Mr Christopher Garnett, commercial director of Eurotunnel, unveils the fares to be charged by Le Shuttle, which will carry travellers and their vehicles through the tunnel between Folkestone and Calais.The announcement will mark the tunnel's transition from ambitious construction project to operating transport system which has to attract business.

"The classic argument is that once the tunnel has been built all its problems are behind it," says Mr Richard Hannah, a critic of the project and transport analyst with UBS, the securities house. "But now we are moving into the phase of testing the market and that is the riskiest time for the project."

At first sight, the market seems buoyant. Cross-Channel traffic, by air and ferry, has increased by 48 per cent over the past 10 years. Last summer alone, the number of passengers on the Dover-Calais ferry crossings rose by a remarkable 25 per cent, helped by attractive price discounts and a revival in the UK economy.

Nevertheless the Channel crossings market is fiercely competitive. The ferry companies have had six years, since construction of the tunnel began, to prepare for its opening: service has been improved and and many ferries are now close to cruise liners in the amenities they offer.

Le Shuttle prices have been pitched at about the middle of the range of ferry charges – indicating the tunnel's operators are not seeking to undercut rivals or to claim that the tunnel will offer a premium service justifying premium prices. Early indications suggest they will start at £160 return for a car and five passengers in the low season, rising to between £220 and £260 in the summer peak.

In comparison, Stena Sealink, one of the two ferry operators on the Dover-Calais route, last week announced fares starting at £126 and rising to £220 in the summer peak. That is lower than 1993's top rates but represents an overall increase of about 1-2 per cent over last year.

But given the nearly £10bn invested in construction costs and the low marginal cost of running extra trains, Eurotunnel could find itself under pressure to discount fares. In the early years at least the Eurotunnel will be scrambling to make up revenues lost by delays in construction and rolling stock deliveries.

The company has been forced several times in recent years to revise down its revenue projections, most notably for the first few years of operation. The latest forecast – on which today's pricing figures have been based – suggest a turnover of £224m in 1994, rising to £690m in 1996. But the latter figure will still be little more than Eurotunnel's interest charges, currently about £650m a year.

So the key to Eurotunnel's success will lie in its ability not merely to steal passengers from the ferries but to generate new business and exploit the principle that new transport projects, such as motorways, increase the number of journeys made.

One option would be to create a market by offering cheap fares to fill the shuttles during quiet periods. Mr Alastair Dick, an independent transport consultant, says: "I would expect them to create a major new off-season market for quick trippers by offering attractive off-season fares." There is also potential for attracting continental car trippers into Britain: at present it is mostly the British who take their cars across the Channel.

Low season discounts are one thing, but to succeed Eurotunnel must charge commercially-viable rates for the bulk of its business over the long term. In the City there is some scepticism about how easy this will prove. "If you want to give yourself a fright, look at the airline industry where fares have fallen because of product innovation and the high levels of competition," says Mr Hannah. UBS calculates ferry and airline fares between the UK and France will continue to fall by between 2 and 4 per cent a year in real terms, increasing pressure on Eurotunnel.

In response, SG Warburg Securities, stockbroker to Eurotunnel, says published cross-Channel ferry tariffs rose in real terms in the 1980s and that the analogy with the airline industry is false because the pace of technological change is slower in the ferry business. The Dover-Calais route is also used as a benchmark for setting fares on other short-sea routes from the UK, and to cut ferry prices on this route would trigger cuts on others, hitting the profitability of ferry operators.

Warburg estimates the average cost of crossing the Channel will fall by 12 per cent in real terms between 1994 and 1997 but will then rise in line with inflation. However, part of the reason for fares rising will be the ending of duty free sales in 1998.

But there remains the danger of published prices being undercut. The family taking its car on the shuttle for its annual summer holiday is just one part of the market. Many coach operators and road haulage operators will negotiate special deals way below the posted tariffs.

"We negotiate a single tariff for the whole year and we would expect to pay the same rate to use the tunnel as we do for the ferries," says Mr John Gilbert, general manager of Eurolines UK, part of the National Express coach group.

At the same time families from, say, the Midlands may welcome the chance to relax and enjoy a meal on the slower ferries while truck drivers may use the time for obligatory rest periods.

The history of Eurotunnel is littered with missed and revised forecasts. Projecting fares and revenues remains fiendishly difficult. What is certain is that today's announcement will be only the first shot in what could be a bitter and protracted contest between the ferries and Le Shuttle. Eurotunnel's shareholders and bankers will watch anxiously but cost-conscious travellers can only benefit.

Eurotunnel revenues: the way ahead

£m – April 1993 value

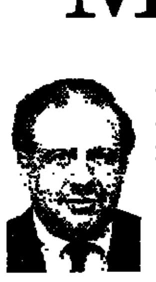
FORECAST	LE SHUTTLE	RAIL	ANCILLARY BUSINESS*	TOTAL
1994 (made in April 93)	142.4	109.3	16.9	268.6
(Sept 93)	**119.7**	**86.0**	**18.4**	**224.1**
1995 (April 93)	333.9	209.7	42.0	585.6
(Sept 93)	**304.5**	**207.6**	**41.9**	**554.0**
1996 (April 93)	411.1	247.6	50.3	709.0
(Sept 93)	**404.6**	**239.8**	**46.3**	**690.7**

	LE SHUTTLE	RAIL	ANCILLARY BUSINESS*	TOTAL
2003 (June 92)	598.1	351.5	39.2	988.9
(June 93)	**590.7**	**339.8**	**42.3**	**972.8**
2013 (June 92)	810.7	375.6	49.6	1,235.9
(June 93)	**812.7**	**364.9**	**54.6**	**1,232.2**

* Mainly duty-free
Figures in bold type denote revised forecasts
An exchange rate of FFr10 = £1 is assumed

Joe Rogaly

Major's deadly mantra



Back to basics has become the defining slogan of a morally bankrupt government. This was unintentional. The three fateful words were perhaps too carelessly written into a speech prepared for Mr John Major last year. The purpose was to pander to the mood of October's Conservative party conference. The tacky little device worked. The party leader kept his job. A difficult week passed without serious mishap.

That should have been the end of it. In a sane polity the phrase would have been returned to the file of political cliches, to be retrieved only in emergency. This prime minister should be so lucky. "Back to basics" has become a deadly mantra, meaning whatever the hearer chooses to believe. This week it is bouncing about the media, postponing yet again, perhaps for ever, the time when the present British government will regain the respect of its electorate.

We may question whether Mr Major is held in such persistent contempt because he is a weak politician, or, as an alternative, a politician in a weak position. The latter, more charitable, explanation is supported by his courageous policy for Northern Ireland, not to mention his steadfast navigation by the fixed star of low inflation. He has other, less universally celebrated, achievements to his credit, not the least of which was the negotiation of and legislation for the Maastricht treaty. By hook and by crook he has kept the Tories in one party, although to say that he has united them would be a truth of the same order as his assertion in April 1992 that he would not increase taxation.

What he has not been able to do is provide intellectual coherence, a philosophical justification for his social policies. Thinking such ponderous thoughts through to a satisfactory conclusion is not his strength. That is why he is imprudent to play around with the dangerous "back to basics". To the Puritan right this piece of nonsense appears to mean that ministers in Mr Major's government who are guilty of sexual misconduct must resign. There are monastries in which the penalty is less severe.

On Sunday Mr Major tried to explain himself on BBC television's *Breakfast with Frost*. He was not in favour of a witch-hunt against people who behaved in a foolish fashion, although where people patently behaved badly then it was perfectly proper that they shouldn't remain in a public position. These are the weasel words of the wily whip; they do not win anyone's respect. To be fair, the prime minister was in a corner. Even his home secretary, Mr Michael Howard, found the Jesuitical wriggling at which he is usually so adept difficult yesterday. "Back to Basics" in his view certainly included individual responsibility, but not those matters which were more the responsibility of the pulpit than politicians . . .

Only one party has been in charge while crime has risen. 'Back to basics' is the Tories' last excuse

It would be a joke, were it not for the victims. Mr Tim Yeo, the former environment minister, was unjustly sacrificed. His private life was, and remains, his own business. He was capable in office, but sadly destroyed by a lethal phrase not of his own making. If he was now to resign his seat, he would precipitate a by-election. The government might lose. Marvellous. The damage to the Conservatives would have been self-inflicted, and thoroughly deserved.

Others extend the phrase to include financial impropriety, the appearance although not the actuality of which led to the prompt resignation of Mr Alan Duncan, a minister's parliamentary bag-carrier. This is surely a jest. Britain's genteel forms of corruption have become entrenched in the constitution. The sale of honours, the payments to Conservative party funds by companies headed by the recipients, the fattening-up of redundant officials for transfer to the lucrative private sector, the boardroom chairs for the ex-ministers who when in office supervised the process – all of these wholly legal Italian practices would be swept away by a truly honest application of "back to basics".

Mr Major, who apparently believes that it would be more damaging to abandon the slogan than to persist with its use, has another interpretation. He wants "neighbourliness, courtliness, courtesy," he told Mr Frost. "We need those community values back." They were taken away by the Tories. The Conservative government has destroyed local authorities and local communities, by centralising power in Whitehall and farming out jobs in non-elected quangos to party supporters.

Let us give it one more try. "Back to basics," Mr Major said on Sunday, was designed to meet the fears of ordinary people about unemployment, rising crime, lower standards in education, and the instability of institutions such as the monarchy and the church. Oh yes? The social disintegration that the prime minister describes so well has occurred under the management of a single party, in office for the past 15 years.

A rise in unemployment was a necessary consequence of Mr Major's counter-inflation strategy, as his former chancellor, Mr Norman Lamont, once famously indicated. Rising crime certainly does have everyone worried, Mr Howard so much so that he has taken refuge in posturing as the hard home secretary, tough on criminals. He has no credible strategy for reducing the number of burglaries, assaults and car thefts. For that we must look to Labour's Mr Tony Blair.

The Conservatives have an excellent strategy for education, the execution of which they have persistently botched since it was introduced by Mr Kenneth Baker in 1988. Mr Major's fault is that he has kept on Mr John Patten, a singularly inept secretary for education. Mr Patten, a high priest of moralism, managed last spring to have upset everyone – the left, the right, the centre, the trade unions, teachers, parents – even, it is said in the long corridors, his own permanent secretary. He may be rescued by Sir Ron Dearing, brought in to advise him, plus a new top civil servant. But nothing would carry education more convincingly "back to basics" than the appointment of a competent minister.

In short, the government has been in office too long. It cannot be blamed for the instability of the monarchy, or the church, but only one party has been in charge while the sense of community has been destroyed, crime has risen, and educational standards have not. "Back to basics" is the Tories' last excuse.

LETTERS TO THE EDITOR

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No case for holding up Nato expansion

From Mr Jonathan Sunley

Sir, Anticipating the outcome of the Nato summit, Jurek Martin echoes the doubts of some US defence planners opposed to full Nato membership for central Europe *on grounds of "the security* implications of sharing operational knowledge with countries whose political futures as western-inclined democracies could not be assured" ("Still chairman of the board", January 8-9).

The problem with this approach is that it amounts to a self-fulfilling prophecy. Surely the best way to ensure that the Visegrad Four states (Poland, Hungary, Slovakia and the Czech Republic) remain politically and strategically committed to the west is to reciprocate the overtures of those within these countries who have made this their goal, thereby strengthening their domestic position? Appearing aloof or indifferent achieves the opposite, by playing into the hands of politicians keen to use the pretext of "western betrayal" to popularise nation*alist alternatives.*

This does not mean that Nato should immediately open its doors to countries still militarily unready for full membership. It does mean, however, that the alliance should strive to close this gap with the most plausible applicants in the shortest possible time, while reassuring them that they are not being consigned to some strategic limbo.

Jonathan Sunley,
Csalogany utca 6-10/118,
Budapest 1015, Hungary

From Mr David Howell MP.

Edward Mortimer Is quite right about Nato ("How to widen the circle", January 5). The US-inspired "partnership for peace" is indeed a fudge – and I believe a dangerous one. Nato should certainly expand eastwards, starting now with a firm timetable. There is no *danger of "isolating" Russia* in this process. How one isolates a continent-sized entity like the Russian Federation is anyway not clear. What is very clear, on the other hand, is that the underpinning of European security and the embracing of Poland and other east/central European states in an enlarged Nato cannot possibly wait for the ponderous and uncertain timescale of Russian reform.

To follow that path would be not just to cast away a crucial opportunity for helping the new democracies through to stability within the Europe of which they are unquestionably a key part (the three small Baltic states should also be included). It would also play right into the hands of Russian extremists, who are already delighted to see the ambiguous signals issuing from the west.

The people in Washington (and London) who argue the other way are doing a disservice both to Russian democratic prospects and to Europe's future consolidation and security. I do hope that Britain, with its history of support and understanding for the needs and hopes of the nations of east and central Europe, large and small, will help correct the apparently rather deep American misunderstanding of the position.

David Howell,
chairman, Foreign Affairs Committee,
House of Commons,
London SW1A 0AA

Horrified by unfairness of others

From Mr T P W Dowlen.

Sir, The unfairness of insurance companies' practices has been widely publicised following the recent Consumers' Association "Which?" survey. It is said many motor insurers happy to insure a motorist's Cavalier 1.6L refuse to insure his Escort XR3i.

Speaking as a registered insurance broker, I must remember to ask the Consumers' Association to investigate greengrocers' shops.

It is totally unfair that they only sell fruit and vegetables. I was horrified when my local greengrocer, who calls himself a retailer, recently refused to sell me some pots and pans.

T P W Dowlen,
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GU22 0HN

Protecting pay in low-cost countries

From Mr S K Pursey.

Sir, I was glad to see Samuel Brittan ended his Economic Viewpoint (January 6) on the implications of free trade for labour markets of industrialised countries by calling for more research on pay trends in developing and former communist countries. Factor price equalisation in the labour market can, in theory, be achieved by wage increases in the non-OECD world as well as by cuts in the industrialised countries.

Indeed, it is in the global public interest for workers' wages in low-cost exporting countries to rise as productivity increases, thus boosting consumer demand and staving off the spectre of Marxist immiseration (growing poverty) of the proletariat. The problem is that many employers do not volunteer pay rises and unions cannot bargain effectively because of repressive laws and intimidation.

Surely, the best way to avoid the destabilising tensions inherent in low pay relative to productivity in developing and former communist countries is to link trade liberalisation to the observance of minimum labour standards, including the right to organise a union.

S K Pursey,
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Old manual makes for modern management

From Mr A L Smith.

Sir, I found the article on Kaizen most interesting (Management: The Growing Business, January 4). My colleagues and I took particular note of the comment by Pierre Lecocq about "lost disciplines". My company in common with many others went through reorganisation during the 1980s and a lot of disciplines deemed to be overheads were removed or reduced. One of these was the work study engineer.

This was a discipline which stood back from the day-to-day pressure and therefore was able to see the "wood from the trees" and advise the management of poor layout, methods and achievement levels.

We are now in the process of introducing Kaizen into our standard procedures: and guess where the guidelines can be found? In our 30-year-old work study manuals.

A L Smith,
estimating manager (ex-work study engineer),
5 Arion Close,
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'Horrendous' cost of proposed local government structure

From Sir Ian Wrigglesworth.

Sir, To most of us in business it is self-evident that having larger unitary local authorities will make our lives easier, be less expensive, and, with good management, provide better local services. It is not surprising, therefore, that in Cleveland the Confederation of British Industry, the Teesside Chamber of Commerce and the Teesside Small Business Club all concluded that they would prefer two unitary authorities to replace the existing five rather than the four favoured by the Local Government Commission and Mr Phillip Yuill (Letters, January 4).

From the business point of view local government reorganisation shows every sign of turning out to be a disaster. Between them the commission and the government are going to lumber us with a new local government system that is more expensive, less efficient and more divisive, and the bill is going to be horrendous.

The commission estimates the transitional cost will be between £590m and £780m. On the experience of the 1973 local government reorganisation I shall be amazed if it is a penny less than £1bn and I believe Sir John Banham, the commission chairman, has mentioned a similar figure. Against the background of current public sector debt it is staggering that the government is prepared to incur this quite unnecessary financial burden and has specifically instructed the commission that it is not required to put forward the lowest cost solutions.

On the question of Durham and Cleveland reorganisation I entirely refute Mr Yuill's suggestion that we, Teesside Chamber of Commerce and the Teesside Small Business Club, do not speak for local business. He also misinterprets the views of the training and enterprise council and Teesside Development Corporation.

Our membership, which has been consulted at meetings and through surveys over many months, includes virtually every significant employer in the area and a vast range of professional practices and smaller businesses. Not surprisingly, they view the prospect of substantially increased costs and four local authorities rather than two with considerable foreboding.

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FINANCIAL TIMES

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Tuesday January 11 1994

Shrinking the Fed

The case for granting central bankers the exclusive right to run an independent monetary policy is gathering momentum across the world. Yet in the US, where the recent conduct of monetary policy has been notably impressive, the movement is all in the other direction. Indeed, the Federal Reserve is under siege. Mr Henry Gonzalez, chairman of the House banking committee, wants to turn regional Fed presidents into political appointees and to force more disclosure on the Fed's policy-making open market committee. Treasury Secretary Lloyd Bentsen is anxious to relieve the Fed of its role in banking supervision. Can it really make sense to politicise and shrink the Fed in this way?

Fed chairman Mr Alan Greenspan clearly thinks not. And a robust defence may yet keep the hawks on the House banking committee at bay. Trench warfare between Congress and the Fed is normal at the point in the cycle where politicians fear a rise in interest rates. While there may be a case for modest changes to the way in which the open market committee discloses its deliberations, there is no case at all for further politicising an institution which is already subject to political pressure.

The more serious challenge comes from Mr Bentsen. For while the Treasury Secretary's urge to put the supervisory activities of the Fed, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision under one roof may look ambitious, it is arguably a logical response to market reality. Mr Bentsen also has a greater head of steam behind his reform proposals than his predecessor Mr Nicholas Brady enjoyed when he sought in vain to tidy up the same regulatory mess.

Regulatory legacy

The demarcation lines in US financial services are a hangover from the financial crises of the 1930s. They are largely irrelevant to an age in which banks, thrifts and industrial or commercial companies all have the skills and technology to provide financial products to consumers and companies across the nation. Nor is the regulatory legacy of the 1930s appropriate to deal with the proliferation of new products that are growing rapidly at the expense of traditional deposit taking and lending. The financial crises of the 1980s exposed the present structure as an anachronistic hotch-potch involving extensive overlaps and inconsistencies.

The snag with Mr Bentsen's proposal is that it opens up an old debate about central banking, as well as precipitating a turf war and prompting worries about a regulatory monolith. Mr Greenspan, along with many other central bankers, argues that the Fed needs to supervise the banks because monetary policy works better when the monetary authorities know what is going on in the institutions that create money and advance credit. And he argues that the Fed could not have pre-empted a credit crunch without early intelligence from the Fed's own bank examinations.

Systemic crises

Since the 19th century central bankers have acted as lenders of last resort in order to prevent systemic crises. Then, when bank balance sheets contained a high proportion of marketable paper, it was not necessary for the authorities to know much about the banks' operations. Last resort lending was about providing a market for the banks' paper, so that solvent banks could restore their liquidity without infecting the rest of the system.

The growth of illiquid loans in bank balance sheets in the 20th century, together with the increasing sophisication of the payments system, makes it more important for central banks to understand the plumbing. The recent temporary surge in the amount of government paper in US bank balance sheets cannot detract from that point. It is noteworthy, too, that those countries where supervision is conducted in a separate agency have not been immune to disaster – witness the huge losses and consequent nationalisations that occurred recently in the Scandinavian banking system. And combining the thankless task of supervision with monetary policy has the advantage that higher-quality recruits come into supervision.

The administration is right to attach priority to regulatory reform. But it should not be necessary to part the Fed from its information sources to bring it about.

More law is not better law

The UK parliament returns to work this week after the Christmas break, with a full legislative programme to complete by the autumn. Legislation timetabled for this session includes another education bill, the third criminal justice act in four years and further measures to reform local government. Yet the more that parliament revisits these important subjects, the less satisfactory the outcome appears to be. Britain's legislative machinery is in crisis.

One symptom of this crisis is the volume of legislation passed each year. In 1901, 40 acts were passed covering 247 pages; by 1991, the number of acts had risen to 69, needing 2,222 rather larger pages. It is not evident that the UK is better governed as a result.

Another symptom is the amount of time spent remedying the defects of recent legislation. New sentencing procedures in the Criminal Justice Act 1991 were repealed last year within months of being introduced. Quangos set up by the 1988 Education Reform Act to administer the national curriculum and testing were abolished in the 1992 Education Act when the reforms ran into trouble. The rules for calculating the maintenance to be paid by absent parents have had to be changed within months of the Child Support Agency opening its doors.

Bad law crowds out the good. Legislation on restrictive trade practices recommended in a 1989 white paper has yet to find parliamentary time. There is a queue of measures from the Law Commission to update the law. The trade-marks legislation which parliament will consider in this session has been waiting since 1987.

Undue haste

Much legislation is unsatisfactory because of the haste with which it is passed. The 1990 Dangerous Dogs Act – which has clogged the courts with arguments over the nature of a pit bull – sped through parliament in response to a public outcry. But ministers are also guilty of pushing through their favoured ideas without proper consultation or analysis of the consequences. Their haste is understandable: ministerial office often lasts no more than a year or two. By the time the mess emerges, its creator has moved on.

Such haste inevitably leads to bad drafting. The civil servants who draft legislation complain that they receive instructions late, with short deadlines and subject to changes of mind by the commissioning departments. As a result, the government finds it necessary to present increasing numbers of amendments to its own bills in the Lords. According to Lord Howe, the average number of amendments has risen from 1,106 per session between 1979 and 1983 to 2,668 between 1987 and 1989.

The Broadcasting Act 1990 passed through parliament with the help of a staggering 1,322 government amendments. It is already being torn up, with restrictions eased on mergers of ITV companies and a new review of rules on cross-media ownership.

Outside consultation

A recent paper from the European Policy Forum, the cross-party think-tank, suggested the drafting of legislation should be opened up to lawyers outside the civil service. This would break the monopoly of parliamentary counsel and allow departments access to a wider range of talent. More important, it could also slow down the legislative process. Outside lawyers might demand more reasonable timetables and clearer instructions.

But much more needs to be done if the quality of UK law-making is to improve. A high-powered commission sponsored by the Hansard Society last year completed a two-year investigation into the legislative process. It produced more than 100 recommendations for streamlining parliament's work, including more consultation, deeper parliamentary scrutiny and better timetabling. Their proposals have attracted widespread support and should be implemented.

None of this will have the necessary impact, however, unless the political process is also improved. Ministers too often take the view that government office gives them the right to bulldoze through radical measures on the basis of rudimentary analysis and inadequate testing. Incremental change – as in the Thatcher reforms of industrial relations – may be more effective and hence more durable than can-do government.

Fear and truculence could mark the first session of Russia's newly elected parliament, says **John Lloyd**

Caustic claimant to the throne

The first speech to the lower house of the Russian parliament – the state duma – should be given at its opening today by Mr Georgi Lukava, at 68 its oldest member.

It is a nice newly-minted gesture to honour age: the problem arises only with Mr Lukava's affiliation. He is a member of the Liberal Democratic Party (LDP), the ultra-nationalists who command 64 seats in the duma, making them the second largest group in the fragmented assembly and by far the biggest in that half of the duma's 450 seats chosen by party affiliation.

Russia's newest and most alarming claimant to power thus has the first word. There are those, including some of the radical democrats, who think it may have the last word, too. As the implications of last month's elections sink in, and as the signs from the presidency point increasingly towards a course which at best slows the pace of economic change, the reformers grow pessimistic and talk of going into opposition.

President Bill Clinton will fly into Moscow tomorrow evening, a city in which the main political actors will find it difficult to speak their lines, because their parts are still being written. Only Mr Vladimir Zhirinovsky, leader of the LDP, seems as completely certain of himself as ever – responding to Mr Clinton's speech in Brussels on Sunday evening with a threat to "annihilate" any Nato division which approached the borders of the former Soviet Union.

Though shunned by European countries, thrown out of Bulgaria, and absent from Mr Clinton's busy schedule, Mr Zhirinovsky has effortlessly kept media attention by his pronouncements, the now familiar mixture of bombast and sweet reason. Among the latter, he has said he is willing to co-operate in parliament with any of the elected groups, including the main liberal party, Russia's Choice, though he favours the Communists and the Agrarian Party. He seems to have come to at least a tactical agreement with them to push for chairmanships of important committees – claiming the foreign affairs committee for his own representative.

Though the arithmetic will remain unclear until the independent deputies – who make up the majority of the 50 per cent of the duma elected in first-past-the-post contests – decide which way to vote, it now seems likely that it will be largely hostile to reform and strongly nationalistic in tone. Under the constitution, the parliament has few real powers to challenge the president and can only vote down his choice of a government by securing a two-thirds majority. However, it is freely elected, and it seems that President Boris Yeltsin has chosen to co-operate and compromise with it to stop or at least delay the kind of confrontation which led to the shelling of the White House in October.

Even before the elections, it was clear that Mr Yeltsin's team was adopting a harsher tone in its foreign policy stance: that tone is now being further strengthened. Mr Andrei Kozyrev, the foreign minister, now makes threatening speeches against Ukraine for its continued retention of nuclear weapons, and has sought to appear more patriotic than Mr Zhirinovsky when the latter commented that Germany might share the administration of the north-west region of Kaliningrad (formerly Konigsberg). At the same time as Mr Kozyrev set out to reassure the west that ultra-nationalism would not influence his foreign policy, he demanded that the west desist from "preaching" to Russia on how it should act.

This tone is being picked up and amplified. At a press conference yesterday to publicise the creation of the Federal Counter-Intelligence Service designed to replace the Security Ministry (itself replacing, or renaming, the KGB), Mr Sergei Stepashin, the service's first deputy director, complained that the west – and the former Soviet states, especially the Baltics – had stepped up its intelligence activities and were seeking to recruit senior Russian officials as spies. This may be true, but to announce it so close to the Russia-US summit is to make a political, rather than a factual, point.

The Russian attitude to the former Soviet states is clarifying itself – and hardening. Membership of the Commonwealth of Independent States increasingly means submitting to Russia's economic and security priorities. With the exception of the Baltic states, the economic prostration of these countries, or the large amounts of Russians within their borders, or both, dictate that the behest of Russia is usually heeded. In the case of Belarus, the least independent-minded of the former Soviet republics, it now appears that under an economic treaty agreed in principle last week, the smallest Slav state will essentially be reincorporated into Russia.

Ukraine, the second largest (after Russia) of the former Soviet Slav countries, remains the largest potential problem, and one to which the new parliament will pay at least as much attention as the old. Mr Clinton has been optimistic about Ukraine's readiness finally to sign an agreement to hand over its nuclear weapons to Russia, but such an accord has been reached before, and they remain in Ukraine.

Within Russia itself, the chances of a reform course continuing to be underpinned by the commitment of an all-powerful president appear to have dwindled in the opinion of the reformers themselves.

Mr Yeltsin yesterday announced the shape of the government – slimmed down to four deputy prime ministers and to 26 ministers. He told Mr Viktor Chernomyrdin, the prime minister, to name his team within a week. That team, the reformers believe, will certainly not be more strongly committed to economic reform than the last. It may, on some scenarios, lack any of the leading reformers altogether. Mr Chernomyrdin is constitutionally the second most powerful figure in the country and has made it clear he sees a centrist course as the salvation for Russia. A presidential decree yesterday named his closest (and conservative) aide, Mr Vladimir Kvasov, as head of the government's administrative secretariat, with ministrial rank. Mr Chernomyrdin is no reactionary, but he has been a reluctant radical. A weathervane politicially, he is swinging back to a middle ground which is still to be defined but which will certainly downplay the macroeconomic stabilisation which the radicals have struggled – so far unsuccessfully – to achieve.

Mr Yegor Gaidar, first deputy prime minister and the symbol of Russian reform, is likely to be named again as one of the two first deputy premiers, according to sources in the presidential administration and among the reformers. Doubts remain over the fate of Mr Anatoly Chubais and Mr Boris Fyodorov, respectively deputy prime ministers for privatisation and finance. Both, in their different ways, are less accommodating than Mr Gaidar, more intent on demanding a commitment to deepening the reform process and to an end to the compromises and half-measures which they believe marked the government last year. Their agendas, differing from Mr Gaidar's, may mean a split in the reformers' ranks.

Russia now has all the trappings of a democracy – a constitution, an elected president, an elected assembly, a free press and an independent judiciary whose members are still to be appointed. Its first democratic parliament reflects its mood, fearful and truculent, scornful of its former weakness in being so nice to other countries. This need not mean disaster. It will, however, mean that 1994 will be another year of dangerous living.

How the west should help Russian reform

PERSONAL VIEW

The western aid effort for Russia has been a debacle. Over the past two years, much aid has been promised but very little has been delivered. Technical assistance and food aid aside, almost no programmes have taken off. Reformers have paid heavily at the polls for this failure.

As early as 1991, western governments sought to avoid budgetary responsibility for Russia's reforms by assigning the lead aid role to the International Monetary Fund – a cautious, narrowly focused bureaucracy ill-suited for a task needing breadth of vision and risk-taking.

Successful reforms depend on timing and tactics. In a crisis, reformers need to keep the initiative, and to make reforms palatable and irreversible. These principles have been exemplified by Anatoly Chubais, Russia's privatisation minister, whose programme has privatised 80,000 enterprises.

The same considerations should apply to monetary stabilisation. It is not enough for the IMF to preach low budget deficits and tight money. The trick is to help reformers implement such policies.

Foreign aid can be critical for stabilisation. Foreign resources help the government to pay the bills (such as for social programmes) in a non-inflationary way. Each dollar the government receives from abroad is a dollar's worth of domestic currency that need not be borrowed from the central bank. Foreign aid also fosters government unity, bolsters public confidence in the reforms and signals that the government has staying power.

The best chance for stabilisation came in 1992, at the start of Russia's reforms. Support for Yeltsin was high and reformers had the public's confidence. Yet the west pushed hard for continued debt servicing. Moreover, in January 1992, the IMF suggested Russia had little need of foreign financial assistance. The IMF reversed this notion two months later, but then did almost nothing to co-ordinate an emergency aid programme.

At no stage in 1992 did the Group of Seven industrial nations or the IMF actually consider in detail with the Russian leadership how foreign aid might bolster reform. There was no planning of support for social spending, small business development or industrial restructuring. The IMF itself lent only $1bn in 1992, under the surrealistic condition that the money be held in reserve and not used for imports. The IMF also steered Russia away from introducing a separate currency, early stabilisation of the exchange rate and rapid development of a treasury bill market to help finance the budget deficit.

The chance for a breakthrough in stabilisation was lost in 1992. The government began to drift later in the year. Central bank leadership passed into new and reckless hands. New conservative ministers promoted a fresh burst of inflationary subsidies to industry and agriculture, and then acting-prime minister Yegor Gaidar was swept from office at the end of the year.

In 1993, the chances for a breakthrough were never as bright, but the G7's promises of aid remained vague and the IMF refused much up-front assistance. This guaranteed a continuation of the familiar pattern of gradual actions backed by niggardly financial support, resulting in backsliding.

When Clinton arrives in Moscow on Thursday to meet Yeltsin, it may be too late for reformers

After the dissolution of the hard-line parliament in September, Boris Fyodorov, the finance minister, raised interest rates; ended subsidised credits, grain procurement subsidies and bread price controls; and put the central bank under the guidance of the government's credit commission, a committee to set macroeconomic targets. Despite these breakthroughs, and with elections weeks away, the IMF refused to disburse a planned $1.5bn loan which could have helped the government avoid politically damaging wage payment arrears.

The reformers lost badly at the election last month. They were undone by government inconsistencies and inaction – not by too much reform. The west had failed to help push through basic improvements in the economy and to help finance an adequate social safety net.

The west promised a $28bn package for 1993, of which about $5bn was actually delivered. Some $13bn was to come from the IMF, of which $1.5bn arrived; $3bn was to come from the World Bank, of which $600m arrived. Most of what actually came was in the form of export credits, which were of very limited use for the reforms.

When President Bill Clinton arrives in Moscow on Thursday for his summit with President Boris Yeltsin, it may be too late for the reformers, who are under intense pressure to leave office. If the reformers and the reforms survive, Clinton must offer Yeltsin a fundamentally revised aid effort.

Given Russia's budgetary gap and urgent social needs, western governments should provide about 4 per cent of Russian GNP ($14bn) in quick-disbursing funds for socially oriented projects, including housing for the military, support for targeted social relief, and funds to close coal mines and compensate miners and their families. On the western side, the programmes should be monitored by G7 governments, rather than the IMF.

Another $8bn – from the World Bank, European Bank for Reconstruction and Development, and the export credit agencies – could support long-term industrial restructuring, with investment funds and programmes for promoting small businesses. The IMF would make available $6bn in loans, on which there would be the normal conditions, but it would not have the overall lead or be able to block disbursement of other funds.

The catch with our proposal, of course, is that it would require new appropriations from western parliaments. The west must choose. Paying less than one-tenth of 1 per cent of western GNP, or $14bn, is surely the most important investment in Russia's democratic future and, thus, in western security.

Jeffrey D Sachs and Charles Wyplosz

The authors are professors of economics at, respectively, Harvard University and Insead, the European business school, and are advisers to the Russian government

OBSERVER

Promoting prophylactics

■ It's an ill wind that blows nobody any good. As the Tory party's sexual peccadilloes play havoc with John Major's authority, Sime International – the world's biggest rubber company which owns a condom brand called Jiffi – spotted an opportunity too good to miss.

Jiffi's advertising agency, Nobull, quickly came up with a national advertising campaign attuned to the zeitgeist: "Next time, don't be so conservative" it trumpeted in a full page ad for its products, which it said were "available not only in blue, but also red and yellow (and) ideal for any party".

The ad was not to everyone's taste, however. According to Nobull, The Guardian turned it down while The Mirror said Yes, but only for an exorbitant price. However, Today loved it, as did the Evening Standard, which called up Nobull's media buyers to ask if it could please run it too, at "a hell of a lot less than rate card".

Choosing Mates

■ Is the parliamentary career of Tory MP Michael Mates, who resigned as Northern Ireland minister in June over his links with the fugitive businessman Asil Nadir, about to shift up a gear?

Whitehall insiders are tipping Mates as the first chairman of the new Northern Ireland select committee, the establishment of which is imminent.

One mark against him is that MPs are sometimes reluctant for recent holders of ministerial office to be appointed to the chair of committees the purpose of which is to scrutinise the executive branch of government.

But Mates' independence during the Nadir kerfuffle eventually redounded to his credit when the government admitted that privileged documents were wrongly handed to lawyers prosecuting Nadir, thus bearing out one of Mates' allegations. Moreover, Mates has useful experience; before becoming a minister, he chaired the defence select committee.

Sweet SA

■ Aren't new democracies a wonderful thing? Take South Africa, now racing towards its April 27 general election. Not only do all South Africans get a vote, but they can now bite the head off the politician of their choice.

Mister Sweet, an inventive Jo'burg company, is selling bags of "Multi Party Politics" sweeties under the slogan: "All the politicians you can swallow!" You can masticate a jaundiced-coloured F W de Klerk; gobble up a chocolate Desmond Tutu; or swallow a pink Eugene Terreblanche.

And with what is either a genuflection towards deep political correctness, or an irony which may escape most South African voters, all taste the same.

'We're 'back to basics' baby boomers'

Waiting game

■ When is The Rank Organisation going to find a replacement for Sir Patrick Meaney who died over 18 months ago? Sir Leslie Fletcher has been standing in as chairman but he's well over 70 and can't be expected to hang on much longer.

One possibility is for Michael Gifford, chief executive for over a decade, to step up to the plate. But this wouldn't go down too well with the institutions, especially if he wanted to combine the two jobs. The name of Sir David Scholey, Warburg's chairman, had been mentioned. He has been tipped to pick up the chairmanships of one or two top companies ever since he gave up as chief executive of the merchant bank in October 1991.

But Sir Leslie is still there and Sir David is still available. Perhaps Sir David has his eye on an even bigger prize – the chairmanship of GEC. After all, Lord Prior has been doing it for the past decade and Lord Weinstock, the managing director, turns 70 this year.

Sticky wicket

■ It never pays to upset your stockbroker, at least not in India. G V Ramakrishna, chairman of India's Securities and Exchange board – the government's watchdog – has been replaced by Shirish Nadkarni, a former test cricketer.

Ramakrishna's "promotion" to the National Planning Commission was greeted with jubilation by stockbrokers and caused the new year markets to soar. The outgoing chairman, whose five-year term was cut short by more than a year, was highly unpopular with brokers. At one stage they went on strike for a week protesting at a ban on forward trading transactions. They claimed Ramakrishna didn't understand the markets and was prone to excessive nit-picking.

By contrast, Nadkarni is seen as much more "industry-friendly". A former chairman of the Industrial Development Bank of India, he heads the State Bank of India's asset management company, as well as being the sheriff of Bombay. He's also chairman of the National Stock Exchange. How very cosy.

Out of focus

■ John Gummer's celebration of the British capital – "London, making the best better" – makes much of its position as a leading financial centre. But the environment secretary ought to have had a word with his brother's public relations firm when compiling the section on finance.

A picture entitled "Bank dealing floor" is quite obviously no such thing. Clearly visible in the background above the milling crowds of dealers is the legend "London International Financial Futures Exchange". The bit on the foreign exchange market also contains the puzzling information that it has 544 "listed companies" compared with 119 in Tokyo and 87 in New York.

Hearing aide

■ Whatever happened to the good old answering machine? A colleague rang the UK arm of an American company to be told that he should leave his message with the "automated attendant...".

Business survey signals possible return of inflationary pressures

Hope of early UK rate cut fades

By Peter Norman, Economics Editor, in London

Prospects for an early cut in UK interest rates appeared to fade yesterday as a clutch of official statistics added to recent evidence of stronger economic growth and a survey of business leaders signalled a possible return of inflationary pressures.

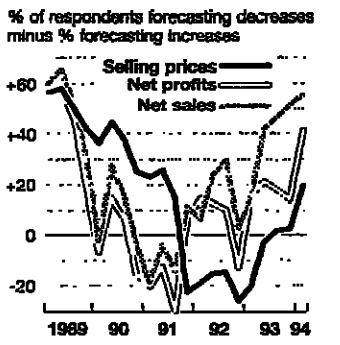
Mr Kenneth Clarke, the chancellor, returns to Britain today from a business trip to east Asia. Tomorrow he meets Mr Eddie George, the Bank of England governor, for their first in-depth review of monetary policy since the Budget.

High on Mr Clarke's agenda will be official figures, published yesterday, showing housing starts up by 11 per cent in the three months to the end of November, consumer credit business in the same period at its highest level for three years and details of UK trade with the rest of the world in October showing volume exports growing faster than imports.

Three surveys, published yesterday and this morning, provide more evidence of economic buoyancy to add to recent anecdotal reports of strong high street spending before and after Christmas, and last week's news of rapid growth in December of M0, the narrow measure of money supply.

UK Business expectations

% of respondents forecasting decreases minus % forecasting increases



Source: Dun & Bradstreet

- Trade Indemnity, the credit insurance group, reported yesterday that the number of UK business failures in the last quarter of 1993 fell to the lowest level since 1989, indicating a sharp improvement in the business climate.
- A Gallup survey commissioned and released today by DHL International, the distribution company, found increased confidence among UK exporters.
- Dun & Bradstreet, the business information group, says in a survey published today that UK businesses are more confident about trading conditions in the current quarter, with 56 per cent forecasting higher profits and nearly a third expecting to increase staff.

Moreover, the Dun & Bradstreet poll of 1,938 managing directors in all regions and sectors of British business found a sharp increase in those expecting to increase prices in the current quarter. More than a third of the managers surveyed between December 5 and 23 said they expected to increase their selling prices.

D&B said its prices "optimism index", which is calculated by subtracting the percentage of respondents forecasting a decrease from those predicting an increase, increased to 20 for the current quarter from just 2 in the final quarter of last year.

The price index was at its strongest level since mid-1991. A year ago it stood at minus 20.

While the apparent buoyancy of the economy has shifted the balance of opinion since Christmas against an early cut in interest rates, the outcome of tomorrow's discussions is not cut and dried. There is a divergence of views among senior officials at the Bank, with some fearing an early interest rate cut could fuel inflationary pressures and others fearful that the tax increases due in April could stall the recovery.

The Treasury has been reserving its position, pending the return of the chancellor. But officials are conscious that the economy is heading into the unknown in view of the very large tax increases in the pipeline.

UK financial markets yesterday signalled reduced expectations of a cut in base rates from the 5.5 per cent level set shortly before the November 30 Budget.

While other share markets rose, London equities dropped slightly, with the FT-SE 100 index falling 5.4 points to 3,440.6.

Trade, housing details, Page 8
London markets, Page 31

Wibble predicts fall in Swedish deficit

By Hugh Carnegy and Christopher Brown-Humes in Stockholm

Sweden is recovering more rapidly than expected from three years of deep economic recession, Mrs Anne Wibble, the finance minister, said yesterday as she presented the right-centre government's last budget before the September general election.

Mrs Wibble said growth in gross national product this year of 2.4 per cent, significantly higher than previous official forecasts of 1.9 per cent, would set the country on the path to sustained growth for the rest of the decade and would reverse a recent relentless increase in the budget deficit.

She said the deficit in the 1994-95 July-June budget year would fall to 11.2 per cent of GNP, or SKr172bn ($20.7bn), from 14.8 per cent in the current year. The state's borrowing requirement would also tumble by SKr51bn to SKr220bn.

However, the budget contained only marginal new savings measures in addition to a five-year SKr81bn programme outlined last year. This prompted some criticism from industrialists and people in the markets that the looming election had deterred the government from taking stronger action to curb fast-growing debt. Net public sector debt at 35 per cent of GNP is rising faster than in any other OECD country, while gross central government debt is set to reach 95 per cent of GNP in mid-1995.

"The growth in state debt is seriously worrying," said Mr Magnus Lemmel, managing director of the Federation of Swedish Industries. "The budget ought to have contained further measures to strengthen the government's control of the economic situation."

Mrs Wibble rejected this criticism, saying the five-year savings plan enacted last autumn contained the necessary measures to stabilise debt in 1998. "For economic and electoral reasons we advanced a large part of the budget consolidation plan to autumn 1993. Last year the critics said we were saving too much."

She also denied that official growth forecasts were over-optimistic, saying latest figures for the second and third quarters of 1993 were "better than I had dared to guess".

The budget forecasts that exports will rise 10.7 per cent in 1994, thanks to increased international competitiveness, and the country's current account will move strongly into surplus. But the domestic sector will again be depressed, characterised by only modest growth in private consumption and a continued fall in public consumption.

Unemployment will remain a black spot. The jobless total, including those on training schemes, is expected to rise to 14.4 per cent in 1994 from 12.9 per cent last year. The government is aiming to halve unemployment by the end of the decade, but it acknowledges that the economy will need to grow by 4 per cent a year between 1996 and 1999 for this to be possible.

Mrs Wibble stressed the importance of Swedish membership of the European Union, on which a sceptical electorate is due to vote in a referendum later this year.

Economists expect a further relaxation in short term interest rates shortly to bolster growth, particularly as the krona has recently strengthened sharply.

Yeltsin clash with new legislature feared

By Leyla Boulton in Moscow

Russia's new parliament convenes today amid warnings from President Boris Yeltsin's aides of the dangers of fierce new confrontation between the executive and the legislature.

"Unfortunately we have information that a series of factions, including the Communists, are planning a new onslaught on the president and government," Mr Vyacheslav Kostikov told a press conference.

Mr Kostikov appealed to the Communists, however, "to look at the bloody consequences of your own heritage when you criticise Russia's democracy and accuse the president and government of anti-democratic behaviour". Meanwhile, Mr Yeltsin unveiled a long-heralded streamlining of the government.

Although the reorganisation itself appears to be little more than cosmetic, its announcement has cleared the way for the appointment of a new cabinet.

The composition of the cabinet will be the first real indicator of the government's level of commitment to fully fledged market reforms, following the strong anti-reform vote in the December 12 elections. It is to be proposed by Mr Victor Chernomyrdin, the prime minister, and endorsed by Mr Yeltsin.

Yesterday's restructuring reduced the number of deputy prime ministers from nine to four. Itar-Tass news agency, quoting a senior government official, said the two new first deputies were likely to be Mr Oleg Soskovets, a middle-of-the-road industrialist, and Mr Yegor Gaidar, who launched radical reforms two years ago.

Itar-Tass also reported that Mr Alexander Zaveriukha, the conservative first deputy prime minister responsible for agriculture, and Mr Boris Fyodorov, the radical finance minister, who has vowed to resign from the government if Mr Victor Gerashchenko is kept on as central bank governor, were being proposed for the other two deputy prime ministerial posts.

Three new ministries have been created, some old ministries and government committees have been abolished or merged, and others have been renamed.

The agriculture ministry, for instance, is now the ministry for agriculture and food production, a title reminiscent of the days when ministries ran whole sectors of industry.

Mr Kostikov also confirmed a presidential decision to spend $500m on a new parliament building, despite criticism that it would be a waste of money when the state has other buildings to choose from and has sharply reduced spending on the population. The construction showed optimism in Russia's prospects for democracy, he said.

Claimant to the throne, Page 19
How west should help, Page 19

THE LEX COLUMN

Regulation issue

FT-SE Index: 3440.6 (-5.4)

The creation of the Personal Investment Authority, the proposed self-regulatory body for retail financial services, is starting to resemble an elaborate game of chicken. Standard Life's decision to withdraw its support amounts to a calculated gamble that government can be forced to reconsider legislation and that the resulting statutory system of regulation will be more agreeable than the PIA. With the Prudential already opposed to self-regulation, the defection of a second large life insurer is certainly a blow. Much depends on whether other companies think the opposition bandwagon is worth climbing aboard, although that is unlikely to be clear until the PIA prospectus is published next month.

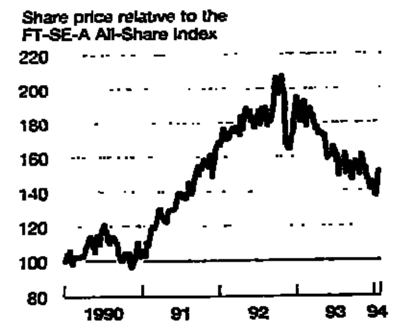
If the PIA cannot command the support of the big life insurers, it is hard to see how the two-tier system of regulation can survive. In theory, Standard Life and Prudential could opt to be regulated directly by the Securities and Investments Board instead. That would be another gamble, since their relationship with the regulator would be antagonistic from the outset. In practice, though, the SIB itself would probably find the position untenable.

Such fragmentation would undermine the reasoning behind setting up the PIA in the first place. Proposals for making the two-tier system work, presented to government by SIB chairman Mr Andrew Large last May, centred on devolving direct regulation away from SIB itself. In the meantime, government will doubtless continue to reject legislation, for fear of giving scent of victory to the PIA's opponents. If the companies stick to their guns, it may have to think again.

Tomkins

Tomkins

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

The jury must still be out on Tomkins' purchase of RHM. Though interim profits of £94m were a little higher than the market expected, that mainly reflected the trend in the group's other businesses. The old RHM held little surprise. Milling and baking contributed £7.1m, though it must have been the main beneficiary of the £12.3m group spending against provisions. Of course, Tomkins' supermarket customers would be asking awkward questions if it had pushed bread margins sharply higher. As it is, a further slog lies ahead, while the acquisition is made relatively less attractive by the £17m increase in the provision for deferred tax.

Tomkins' balance sheet with net cash of nearly £170m is strong compared with other conglomerates. Cash generation will not be quite so impressive in the second half, when both utilisation of provisions and capital expenditure will increase. Still, Tomkins can amply afford to restructure RHM while conserving working capital resources for the upturn. It could even gear up for an acquisition, if an opportunity arose.

The company must hope this flexibility encourages the market to accord it a higher rating. Indeed, there is some prospect of out-performance, not least because its high cover ratio puts Tomkins into the popular category of companies able to offer real dividend growth. The trouble is that its cash pile is also a drag at current interest rates. There would be more sense in saving up for another acquisition if RHM had already proved a winner.

UK retailing

Signet – the jewellery retailer which may always be better known as Ratners – is the latest high street group to lift the veil on Christmas trading. The apparently patchy performance of stores' groups is partly due to the unreliability of year on year comparisons. Dixons disappointed last week because it had a barnstorming run with video games in 1992, but a miserable time with the same product in 1993. Projecting retail spending trends from the habits of a few million teenage telly addicts is clearly a dangerous game.

Jewellery has similarly peculiar problems. Signet's sales in 1992 were much lower because the company had abandoned the disastrous discounting of 1991. Not surprisingly then, last Christmas's turnover was usefully higher than 1992, but the increase may well reflect the company's own recovery as much as an improvement in the economy. Significantly, sales at the stricken Ratners chain failed to improve.

Throughout 1993, reasonably buoyant retail sales statistics contrasted strongly with the cries of pain from most retailers. The conclusion may be that turnover was frequently bought at the expense of margins. Those with strong brands and franchises have managed to profit, even under such tough conditions, while those in a weaker position had to put up with spasmodic discounting to move stocks. Since low inflation exposes price increases and poor value, and supposing that consumers remain cost conscious, pressures on high street margins seem likely to remain intense.

National lottery

It is rather disconcerting to learn how deep the gambling instinct runs among the great and the good of British business. Yesterday, another two FT-SE 100 companies threw their names into the hat to be selected to run the national lottery, bringing the total number of interested consortia to eight. That level of interest alone suggests the bidding for the licence will be fierce and the returns correspondingly meagre. The lottery's high visibility will also ensure operators' profits are sliced to the bone.

Nevertheless, even margins of 1 to 2 per cent will appear attractive if the lottery can generate revenues projected at anything between £2bn and £6bn. The lottery will undoubtedly take a fair chunk of cash out of the public's pockets. Combined with this April's tax increases, that could lead to some marked shifts in consumer spending patterns. Spending on discretionary items, such as chocolates, newspapers and slot machines may suffer. That helps explain the interest of companies such as Cadbury Schweppes and Rank, which have a clear defensive intent.

Those most at threat from the lottery are the pools companies. Littlewoods, which is by far the biggest operator, is determined to fight the lottery tooth and nail. But Ladbroke, which has less muscle, is trying to hedge its bets. Whether the government will accept that Ladbroke can disinterestedly run betting shops, football pools and the lottery simultaneously, however, is a moot point.

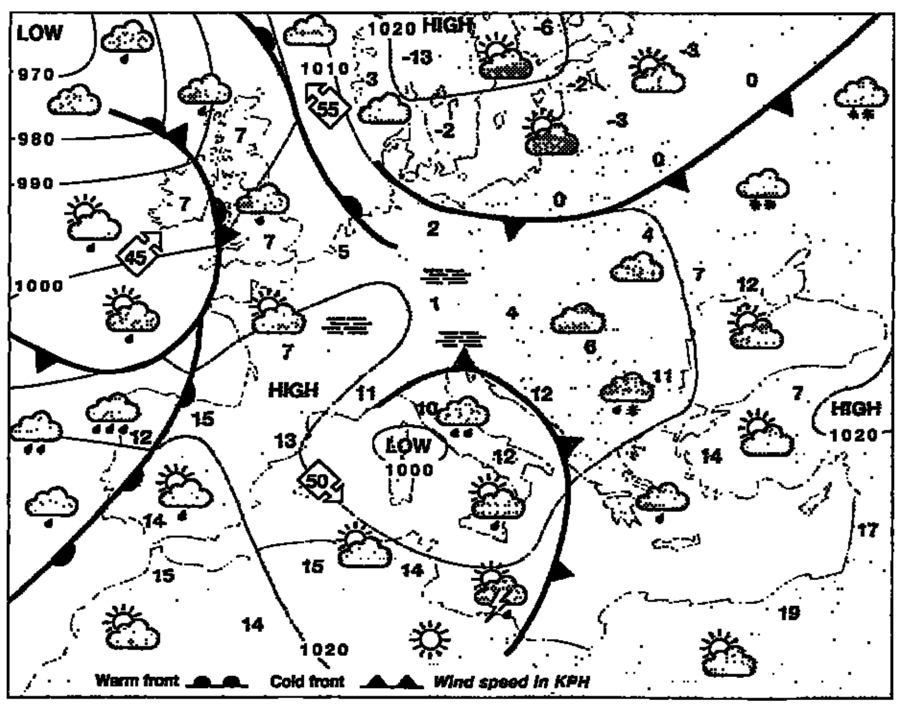
FT WEATHER GUIDE

Europe today

A frontal zone causing rain over the UK will bring some rain to western France and heavy rain to north-west Spain. South-eastern Spain will stay dry and rather sunny. Much of the continent will be mainly dry with cloud and sunny periods. There will be early morning frost with fog patches in some places. Low pressure over Corsica will cause showers across much of Italy. The south slopes of the Alps will have rain with snow above 1,300 meters. Scandinavia should stay clear and frosty. Only south-west Norway will have temperatures above freezing.

Five-day forecast

Much of Europe will stay unsettled. Heavy rain in southern Sweden will turn to snow further north. Central and northern Scandinavia will stay very cold. A broad band of rain will stretch from north-west Spain across the Benelux and into northern Germany, moving south to bring rain and snow to the Alps by Friday. The rain in Spain will diminish and end for the most part. Italy will become clearer as showers die out.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	rain	6	Cardiff	rain	6	Frankfurt	cloudy	1	Malta	shower	14	Rio	fair	29
		Celsius	Belgrade	cloudy	10	Chicago	fair	0	Geneva	cloudy	4	Manchester	cloudy	7	Riyadh	fair	25
Abu Dhabi	sun	24	Berlin	cloudy	3	Cologne	cloudy	5	Gibraltar	fair	17	Manila	fair	29	Rome	rain	11
Accra	fair	32	Bermuda	shower	21	D' Salaam	fair	28	Glasgow	rain	6	Melbourne	fair	28	S. Frsco	fair	15
Algiers	shower	15	Bogota	fair	20	Dakar	fair	26	Hamburg	cloudy	2	Mexico City	fair	19	Seoul	fair	11
Amsterdam	fair	6	Bombay	fair	33	Dallas	cloudy	10	Helsinki	fair	-6	Miami	fair	25	Singapore	shower	31
Athens	fair	16	Brussels	fair	6	Delhi	fair	26	Hong Kong	rain	18	Milan	rain	6	Stockholm	sun	-4
B. Aires	cloudy	27	Budapest	cloudy	6	Dubai	sun	24	Honolulu	fair	27	Montreal	snow	-13	Strasbourg	cloudy	3
B.ham	cloudy	8	C.hagen	sleet	3	Dublin	rain	6	Istanbul	fair	14	Moscow	sun	-3	Sydney	fair	32
Bangkok	fair	34	Cairo	sun	19	Dubrovnik	rain	12	Jersey	rain	7	Munich	cloudy	1	Tangier	fair	15
Barcelona	fair	13	Cape Town	cloudy	22	Edinburgh	rain	6	Karachi	fair	27	Nairobi	fair	27	Tel Aviv	fair	17
Beijing	fair	1	Caracas	fair	28	Faro	fair	16	Kuwait	fair	25	Naples	shower	12	Tokyo	fair	10
									L. Angeles	fair	21	Nassau	fair	26	Toronto	snow	-4
									Las Palmas	fair	19	New York	fair	2	Tunis	thund	14
									Lima	fair	26	Nice	rain	14	Vancouver	rain	7
									Lisbon	shower	15	Nicosia	cloudy	19	Venice	shower	9
									London	cloudy	8	Oslo	fair	-8	Vienna	cloudy	3
									Lux.bourg	cloudy	3	Paris	fair	7	Warsaw	cloudy	2
									Lyon	cloudy	4	Perth	fair	32	Washington	fair	4
									Madeira	cloudy	18	Prague	cloudy	1	Wellington	shower	20
									Madrid	cloudy	10	Rangoon	fair	32	Winnipeg	cloudy	-22
									Majorca	sun	15	Reykjavik	rain	5	Zurich	cloudy	5

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday January 11 1994

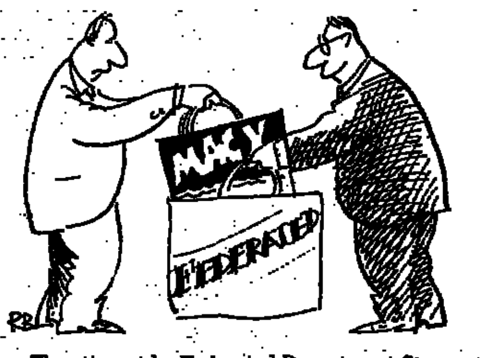
IN BRIEF

Dispute over Paramount bids

The two sides in the $10bn takeover battle for Paramount Communications became embroiled in a dispute yesterday when QVC Network called on the Paramount board to declare the latest offer from rival Viacom in violation of the rules and take appropriate action. Page 22

Unkind cuts from Gillette
Gillette, the US shaving and consumer products group, plans to reorganise its overseas operations in a move that will bring 2,000 job losses over the next two years and a one-time after-tax charge of $164m in the fourth quarter of 1993. Page 24

Shop sale



The attempt by Federated Department Stores, which owns Bloomingdales, to take over the equally prominent R.H. Macy group would create a vast retailing empire. Page 24

Malaysian group buys bank
From modest beginnings in the late 1960s, Hong Leong (HL) has grown into one of the biggest conglomerates in Malaysia. Now HL has gained control of MUI Bank, a Malaysian bank with 35 retail branches within Malaysia and one in Singapore. Page 25

BAT merges fund management arms
BAT Industries is merging the fund management operations of its two insurance companies, Eagle Star and Allied Dunbar, into a new company, Threadneedle Asset Management. Page 27

Turnaround for Hewlett-Packard's UK arm
The UK subsidiary of Hewlett-Packard, the US-based computers and electronics group, reported a £90m turnround in pre-tax profits to £82.6m ($124m). Page 28

Rushes on wheat
The floor of the Chicago Board of Trade reacted like a firework to a lighted match last Tuesday to news that China wanted to purchase 1.1m tonnes of US soft wheat. If this sale is completed, US soft wheat stocks could be drawn down to unexpectedly low levels. Page 30

Outstanding gain in Japan
Markets in Hongkong, Malaysia and Singapore showed falls of 6.9, 5.9 and 2.5 per cent respectively and, in Europe, Germany lost 2.1, and Italy 4.1 per cent in local currency terms. The outstanding gain, in sheer size if not in percentage terms, was the 2.8 per cent in Japan. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Beiersdorf	900	+	35
Berliner Bank	578	+	35
Berliner Kraft	256.5	+	11.5
Holzmann Ph	1099	+	39
PWA	250	+	23
Zanders Feinpap	257	+	19

NEW YORK ($)

Rises			
Chrysler	56¾	+	1¼
Ford	66¾	+	1¾
Falls			
Blockbuster	26⅞	-	1½
Paramount	77½	-	1⅝
QVC Network	39½	-	1⅛
Viacom 'B'	38½	-	2¼

PARIS (FFr)

Rises			
Lyon Eaux Dumez	598	+	22
Paris Rescompt	554	+	24
Promodes	1140	+	39
UFB Locabail	473	+	18
Unibail	637	+	27
Falls			
Elf Aquitaine	418	-	13.3

TOKYO (Yen)

Rises			
Hanwa	258	+	28
Ishihara Const	300	+	32
Misawa Homes	934	+	100
Stanley	530	+	60
Sony	1580	+	140
Falls			
Shin Yei Steam	180	-	30

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Brit Mohair	215	+	14
Coal Inv	45	+	7
Colorvision	118	+	15
Dart Group	178	+	9
Enviromed	144	+	8
Europa Engy	28	+	3½
Gold Greenlees	228	+	22
Hartstone	64	+	6
Jessops	99	+	9
Saville Gordon	75	+	10
Signet	37	+	3½
Smith New Crt	420	+	14
Stakis	71	+	6
Sid Platforms	43	+	10
Treatt	180	+	13
Wolseley	895	+	25
Wood (JD)	98	+	15
Falls			
Argyll	298	-	7
Burmah	848	-	15
Gen Accident	738	-	14
Rank Org	1013	-	21
Seeboard	735	-	12
T & N	223	-	9
Tiphook	72	-	6

Time Warner, Bertelsmann and Canal Plus compete for first commercial TV channel

Media groups line up in Poland

By Christopher Bobinski in Warsaw

Several western media companies including Bertelsmann of Germany, Companie Luxembourgeoise de Telediffusion (CLT) and Time Warner of the US are set to clash in a battle for control of Poland's first commercial TV channel.

Applications for the licence, which is to run for 10 years and carries a one-off fee of $6m, will go before the Radio and TV Council, a regulatory body, in a series of public hearings starting on Friday. A decision on the licence is expected soon after. Poland has a population of about 38m and the new channel hopes to reach about half that initially.

The channel will require an initial investment of up to $100m and will operate alongside the two Polish state channels which carry advertising. The new station will be competing for advertising revenues in a TV market estimated at about $100m a year.

The applications follow the passing of a broadcasting law early last year, which opened up the airwaves and established the Radio and TV Council as an independent body chosen by parliament and the president.

Foreign ownership of the broadcast media is limited to no more than 33 per cent and the foreign companies involved have had to find local partners. Thus Bertelsmann, which has said it will invest $200m, is linked with the state-owned Polish Development Bank (PBR) and the Warta insurance company. CLT and Reuters Television has ITI, a local video and screen distributor as its local partner – ITI is backed by a consortium including Elektrim, quoted on the Warsaw Stock Exchange. Time Warner, CNN and Capital Cities ABC are in another group. The US-based companies have been invited in by journalists from Radio Free Europe, which faces closure. They are led by Mr Marian Terlecki, a former head of state television.

The other main contender is NTP Plus, a group of journalists with their roots in the Solidarity dissident movement, who are backed by the former US Ambassador to Hungary, Mr Mark Palmer. His CEDC Media Enterprises has a television licence in Prague. The French Canal Plus pay television channel is backing another Polish group while Kinnevik Media International, a Swedish group, is also competing. In the running also is Polonia 1, a chain of Polish local stations which broadcast programmes and advertising provided largely by Mr Silvio Berlusconi's Fininvest group.

Inquiry into metals group's ex-boss

By David Waller and Christopher Parkes in Frankfurt

The Frankfurt prosecutor's office has launched a formal investigation into Mr Heinz Schimmelbusch, the former chief executive of the troubled Metallgesellschaft group, and former finance director Mr Meinhard Forster.

Ms Hildegarde Becker-Toussaint, spokeswoman for the office, said the investigation would focus on suspicion of fraud and failure to keep the supervisory board informed.

Metallgesellschaft refused to comment on the investigation yesterday, nor on press reports that Mr Schimmelbusch, a 49-year-old Austrian, had misused company funds. If formal charges were brought as a result of the investigation, the former executives could face fines or up to 10 years in jail.

The investigation, initiated after a complaint from a Metallgesellschaft shareholder, follows the sacking of the two executives last month after the group encountered serious liquidity difficulties arising from its activities on the US oil futures market.

Since then the scale of the problems afflicting the Frankfurt-based metals to mining company, has escalated and last week Mr Kajo Neukirchen, the new chief executive, revealed that losses in the year to September amounted to DM1.8bn ($1.04bn) - five times the loss originally reported.

The group's bankers and shareholders have been given until tomorrow night to support a DM2.7bn injection of new equity capital. The group's bank creditors were told yesterday that they were expected to extend DM700m of new credit to the company - DM200m more than the figure mentioned at last week's crisis meeting.

Mr Gunter Rexrodt, German economics minister, urged bank creditors and shareholders to support a swift restructuring. He said this would secure jobs and avoid unnecessary tensions on international metals markets.

It is likely the 100-plus banks involved will accept the refinancing proposals, as management had made it clear to them that the package represents the only alternative to insolvency. There is however unhappiness among non-German banks over the lack of time for considering the plans, the rigidity of the proposals and the inability to negotiate.

Banks asked for new credits. Page 24

Chazot tipped as Eurotunnel group chief executive

By John Ridding in Paris

Mr Georges-Christian Chazot, a French industrialist with experience of the service sector, has emerged as the leading candidate to take over as group chief executive of Eurotunnel, the operator of the Channel rail link.

Eurotunnel said it expected to make an announcement concerning a new group chief executive either this week or next week. The new appointee is expected to take over from Sir Alastair Morton, who currently acts as chief executive and who would revert to his position as co-chairman, along with Mr André Bénard.

Eurotunnel is keen to install a chief executive before commercial operations start in March with freight services.

Passenger services will start after the official opening of the tunnel, due on May 6. Tariffs will be announced today.

Mr Chazot, 54, worked until the beginning of this month at Adia, the Swiss temporary employment group, where he was in charge of French operations. During his 18-month stint, he helped reorganise the company's French employment agencies.

Most of his career has been in industry. He has worked at several industrial groups, including Alcatel, the Paris-based telecommunications group. He held a number of positions, including heading its business systems division. Before that he was chairman of Saft, Alcatel's batteries subsidiary.

Mr Chazot has a degree in electrical engineering and a diploma in marketing. His appointment would tilt the balance of the board in favour of France. Currently, it comprises seven Britons, seven Frenchmen, one Belgian and one American.

One Paris banker involved in the Eurotunnel project welcomed Mr Chazot's candidacy. "He has experience of working in international companies and seems to have a good technical background," he said.

The new appointee will take over in the wake of a series of positive developments at Eurotunnel. Last week, the company obtained approval from its banks to raise an extra £1bn ($1.5bn) in funding which is necessary to complete the project. The funding is expected to be divided equally between a rights issue and a further £500m of bank loans.

Eurotunnel has also resolved legal disputes with the French and British governments. It has agreed to renounce its claims for extra costs in the construction of the tunnel in return for an extension of its franchise from 55 to 65 years.

Scandal pushes rock-like image to the edge

Patrick Harverson explains how Prudential Securities is being hit by investors' claims

When Prudential Securities agreed to pay $371m in fines and restitution to settle charges that it defrauded hundreds of thousands of investors who bought high-risk limited partnerships from its brokers in the 1980s, the Wall Street firm thought the worst of the scandal was over.

Mr Hardwick Simmons, chief executive, said of the settlement three months ago: "It's one last punch. The eye already got blackened."

In the past fortnight, however, the firm received another black eye when Mr Loren Schechter, its general counsel, was forced to resign. Mr Schechter, the firm's chief legal officer for more than 11 years, was ousted after it was reported that the US attorney's office in Manhattan was investigating the legal department's role in vetting sales documents used in connection with the partnerships.

Over the next few months several former and current executives, including Mr George Ball, former chief executive, as well as Mr Schechter, are expected to be issued with subpoenas by government investigators seeking more information on the scandal.

Mr Ball's career has continued to suffer in the wake of the scandal – last October he resigned from a top post at another Wall Street brokerage, Smith Barney Shearson, amid speculation that he was asked to go because of the publicity surrounding the limited partnerships case.

Other indications that the scandal has yet to run its course include the prospect that senior executives at the firm in the 1980s will be charged by the Securities and Exchange Commission with failing to properly supervise the brokers selling the partnerships, and the recent naming of Prudential Insurance, the firm's parent company – and two accounting firms Arthur Andersen and Deloitte & Touche – in lawsuits involving the limited partnerships.

The investigation of wrongdoing at Prudential Securities has implications beyond the firm. The publicity surrounding the scandal has come at a bad time for the US brokerage industry, which has been trying to fend off accusations that it was lax in preventing "rogue brokers" from taking advantage of investors through unscrupulous trading practices.

The longer the Prudential Securities scandal drags on, the harder it will be for Wall Street to convince investors that its brokers can be trusted.

The problems plaguing Prudential Securities, the fourth largest firm in the industry, date back to the early 1980s, when brokers at Prudential-Bache Securities, as the firm was then called, sold about $8bn of highly speculative limited partnerships in property, oil and gas investments to about 400,000 clients.

Although the clients say they had been assured the investments were safe, by the end of the decade the high-risk investments had soured amid the collapse of the property and energy markets.

Investors were left with billions of dollars in losses. By the start of the 1990s, thousands of clients had launched lawsuits against Prudential Securities, claiming they had been defrauded by brokers who had misled them about the partnerships' risks and returns. So far, only a few class action lawsuits on behalf of several thousand investors have been settled, at a cost to the firm of $270m.

Prudential Insurance's public image – built upon the advertising slogan "Solid as a Rock" – has been tarnished by the scandal, partly because many investors said they bought the partnerships because they trusted the Prudential name.

The parent company has also been named in several class-action lawsuits which claim the insurer was part of a racketeering conspiracy involving the sale of the partnerships. Government investigators are also looking into allegations that insurance agents at the parent company bypassed rules that prohibited them from selling partnerships and other securities.

Prudential Insurance's debt rating might even be lowered because of the scandal. Last month the insurance ratings agency AM Best said it was considering whether to downgrade the rating from A-double plus, its highest grade, because of uncertainty surrounding the financial implications of the partnerships scandal.

Ultimately, the biggest cost will be in dollars. To date, the firm has agreed to pay a total of $641m to settle SEC charges and class-action lawsuits. The funds will come out of the $700m Prudential Securities has set aside in reserves to cover such costs.

More money, however, will be needed to satisfy all the victims of the partnerships debacle. Under the terms of last October's SEC settlement, the firm is obliged to meet the claims of any of the 400,000 clients who bought the limited partnerships who can convince lawyers handling compensation payments that they were defrauded.

Industry analysts estimate that the firm will need to come up with hundreds of millions of dollars more. Mr Perrin Long, securities analyst at First of Michigan, says: "My guess is the final bill will be at least $1bn." The firm has admitted the $700m will grow to at least $800m.

The only good news for Prudential Securities is that the scandal has come at a time when it can afford the huge settlement costs. If it had erupted in the late 1980s, when the securities industry was struggling, it might have broken the firm.

Today, however, Wall Street is entering the fourth year of an unprecedented boom, and Prudential Securities has thrived with the rest of them. Yet, the scandal has ruined what should have been the best years in the firm's history. While every other big securities firm has been basking in record profits, Prudential Securities admits it has had to put aside a dollar in its reserves for every dollar of earnings.

RHM helps Tomkins double

By Maggie Urry in London

Tomkins, the UK industrial group, nearly doubled interim pre-tax profits, from £47.1m to £93.8m, with the help of Ranks Hovis McDougall, the food group acquired for £990.5m ($1.5bn) in December 1992.

Mr Greg Hutchings, chief executive, said the rise in profits was achieved in spite of difficult trading conditions, with few signs of recovery in Europe.

At the operating level, RHM contributed profits of £38.5m to a total of £85.9m, with milling and baking making £7.1m of that. Concern over intense competition in the baking industry has led Tomkins' shares to underperform since the acquisition.

Mr Hutchings was upbeat yesterday about prospects, but the shares fell 3p to 259p. Since acquiring RHM, 22 facilities had been closed and 2,860 redundancies made, cutting the workforce by 11 per cent.

Spending on advertising had been increased by £8m to support brands such as Mr Kipling's cakes, Hovis bread and Sharwoods ethnic foods. New products had been launched, such as sun-dried tomato bread. Mr Hutchings said the bread market was no more competitive than, for example, the lawnmower market in the US.

Mr Ian Duncan, finance director, said Tomkins' operating profits, excluding RHM, rose from £39m to £47.4m, with about £4m due to the fall in sterling against the dollar.

Profits from North America rose 71 per cent to £50.1m. Mr Hutchings said this demonstrated the group's operational gearing, where a rise in volume led to a sharper rise in profits.

However, in some divisions margins fell as competition was still fierce. Mr Duncan said that, for instance, at Murray Ohio, the US lawnmowers and bicycles business, higher volumes had been gained at the expense of lower margins.

Net cash rose to £169.8m at the end of the half-year, up from £120.6m on May 1, but interest income fell from £6.3m to £4.6m.

After tax, earnings per share rose 23.2 per cent to 5.53p fully diluted. The interim dividend goes up from 1.805p to 2.08p.

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Paramount contenders in dispute over bidding rules

By Martin Dickson in New York

The two protagonists in the $10bn takeover battle for Paramount Communications became embroiled in a complex dispute over bidding procedures yesterday, as QVC Network called on the Paramount board to declare the latest offer from rival Viacom in violation of the rules and take appropriate action.

QVC said it would await the action of the Paramount board, which is to consider the Viacom offer tomorrow before deciding what action to take.

Observers said that if it did not win the support of the Paramount board, QVC might go to the courts in an attempt to block the Viacom offer.

Viacom unveiled its new bid – as well as an $8.4bn merger agreement with video rental company Blockbuster Entertainment – on Friday night, shortly before the expiry of QVC's tender offer for 50.1 per cent of Paramount's shares.

Viacom increased the value of its cash offer for 50.1 per cent of Paramount to $105 a share, compared with QVC's $92, but it cut sharply the value of the securities being offered for the remainder.

Traders said that Viacom's stock and shares offer for 100 per cent of Paramount remained below QVC's offer.

QVC, which announced yesterday that its tender had attracted 26.8m Paramount shares – more than 20 per cent of the total – argues that Viacom broke the bidding rules by launching an offer inferior to the one it had on the table.

In spite of this, QVC yesterday extended its bid to January 21, the same closing date as Viacom's latest tender, as it is required to do under the bidding rules. There had been hints that QVC might try to close its bid earlier than this.

Viacom argues that its current offer is superior to QVC's and it has fully complied with the bidding procedures.

On Wall Street, Viacom's B shares dropped $2⅝ in morning trading to $38⅝, lowering the value of its blended bid to around $77 a share. QVC dropped $1⅝ to $39¼, valuing its bid at $82 a share, while Paramount fell $2 to $77¼ and Blockbuster dipped $1 to $27¼.

Signet turns in sales rise of 11% for December

By Neil Buckley in London

Signet, the UK jewellery group which was formerly known as Ratners, defied rumours circulating last month of poor Christmas trading to announce an 11 per cent sales increase in December.

Mr James McAdam, chairman and chief executive, said the rise in like-for-like sales – which exclude store openings and closures – in the crucial Christmas period, and a 6 per cent like-for-like increase for the 11 months to December 31, meant Signet was likely to return to profit after a £40.1m ($59.7m) loss last year.

Signet shares gained 3½p to 31p in London.

Mr McAdam said the group had maintained the improved gross margin of about 57 per cent achieved in 1992.

"We didn't break ranks and start discounting," he said. "The sale didn't start until after Christmas."

That, combined with a further reduction in operating costs of about £30m, in addition to £50m the previous year, was "driving the bottom line hard". Most analysts are forecasting pre-tax profits of £1m to £2m for the year to January 29.

The group performance was boosted by a strong showing by its Sterling chain in the US, which now accounts for 55 per cent of group turnover and 928 of its 1,645 jewellery outlets. Sales were up 19 per cent on the previous December, compared with single-digit rises among most competitors.

In the UK, like-for-like jewellery sales were up 6 per cent in December, including a 12 per cent rise at Ernest Jones, and 5 per cent at H. Samuel.

Sales in the Ratners chain, which now comprises only 100 stores, were flat. Mr McAdam said the chain would shrink to 60 stores by the middle of this year, through further conversion of Ratners stores into the H. Samuel format.

Ratners stores already converted have seen sales increases of about 20 per cent. The remaining 60 stores will change to the new format.

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Ifil seeks a winning combination

Haig Simonian analyses the holding company's complex web of deals

Even by the recent standards of many Italian companies, the past three months have been extraordinarily busy for Ifil, the holding group indirectly controlled by the wealthy Agnelli family.

Since October, Turin-based Ifil has spent L652bn ($397m) on a controlling stake in La Rinascente, Italy's biggest retailer; increased its share in Fiat to more than 12 per cent and launched a large rights issue to finance its ambitions.

As part of its diversification into non-cyclical sectors such as foods and tourism, Ifil has struck a string of deals with important business partners, notably in France, ranging from hotels in Hungary to foodstuffs in Hong Kong.

However, Ifil's moves have not been unanimously acclaimed. The complex Rinascente deal, in which the Fiat-controlled retailer passed to Ifil via Fiat's own shareholders, was pilloried by some analysts as an in-house arrangement tailored to bolster Fiat's flagging finances more than the interest of Ifil's shareholders.

Ifil's decision to spend more than L770bn on increasing its stake in the cars group has come under fire. Though some analysts see Fiat, Italy's biggest private company, as a potential recovery stock, its short-term prospects look grim and Ifil's investment seems odd.

Unprejudiced consideration of its policy is complicated by Ifil's historical role as a strongbox for the Agnellis and an instrument in broader family or Fiat-related transactions.

Many observers recall the 1986 manoeuvrings when cash-rich Ifil was used in a complex ballet to buy out the Libyan government, then a minority shareholder in Fiat.

Mr Gabriele Galateri di Genola, Ifil's managing director, sees things differently. Ifil's decision not just to subscribe to Fiat's rights issue, but raise its stake to 12.6 per cent from 9.26 per cent, "comes down to whether you think it's a good investment or not", he says.

Displaying the charm and acumen which many believe will drive him to the top of Fiat, he argues that any investor not convinced about the car company's future should sell out. Mr Galateri argues that Fiat, expected to announce a large loss in 1993 and pass its dividend, has strong recovery potential. The rights issue represents a bargain.

Drawing attention to the convertible bond which accompanied the rights issue, he rejects criticisms that the cars group represents a poor short-term investment. The 2 per cent coupon on the bond offers a very reasonable return and Ifil has entered the group of core investors expected to play an active role in Fiat's future, he argues.

Mr Galateri is more convincing when it comes to Rinascente. While some analysts have attacked the deal – in which Fiat shareholders were invited to buy the group's 46.8 per cent Rinascente stake – many agree there could be advantages in bringing Ifil and the retailer together.

Ifil has expanded in food production after a stream of takeovers of leading Italian companies since the mid-1980s. More recently, it has sold many acquisitions to BSN, the big French foods group, in return for cash, an equity stake of almost 6 per cent and a commitment to develop joint food interests.

It is the food-retailing combination which lies at the heart of the Rinascente deal. The latter is an odd collection of businesses, comprising flagship city-centre department stores, the SMA supermarkets and hypermarkets chain and the struggling Upim variety stores.

SMA, and especially its growing list of greenfield hypermarkets, is the most attractive component. Italian retailing has been undergoing a belated transformation in recent years as thousands of small, city centre outlets have made way for more big supermarkets. Although the mix between small and large food stores is heavily weighted towards the former, the big outlets are expected to dominate in the end.

Because of the complexities of Italy's new takeover laws, Ifil has limited its Rinascente share to 33 per cent to avoid triggering a compulsory takeover. That will gradually increase, as bourse rules allow it to raise its holding by 3 per cent a year, although Mr Galateri declines a final target.

Not that there is any threat to its control. The complex change of hands from Fiat has meant that bank underwriters, likely to be sympathetic to Ifil, have been left with a large portion of Rinascente stock on their books. Arab Banking Corporation and Pictet, the Geneva-based private bank, have bought stakes, estimated at around 6 per cent and 2 per cent, in the retailer respectively. Both are close to Ifil.

The Ifil-Rinascente link may be purely defensive. If, as some observers expect, Italian retailing moves towards the UK model, where big supermarket chains tend to have the upper hand over suppliers, then adding retail distribution to Ifil's food production portfolio could be a bonus. But the deal's main appeal may be in the wider context of changes in Italian food retailing.

As part of its privatisation policy, the government plans to sell GS, the big state-controlled supermarket and hypermarket chain. A number of contenders have thrown their hats into the ring, although the timing and details of the disposal are unclear.

Mr Galateri is unwilling to be drawn on Ifil's plans. Some observers suspect that buying Rinascente – while beneficial to Fiat – may be a first step in a more ambitious Ifil strategy.

Combining Rinascente's food retailing with another big network, such as GS, would create a large force in the highly fragmented Italian market. If the Rinascente-GS duo could be beefed up with minority participations from other leading retailers, in the UK or Germany, it could make a winning combination.

Austria to sell stake in airport

By Patrick Blum in Vienna

The Austrian government plans to sell at least half of its 36.5 per cent stake in Flughaven Wien, the Vienna airport company, as soon as possible, the finance ministry said yesterday.

Flughaven Wien was partially privatised in 1992 with the sale of 27 per cent of its share capital.

The city of Vienna and the province of Lower Austria each have 18.25 per cent stakes in the airport.

The privatisation will be either through a flotation on the stock exchange, a direct sale to a trade buyer, or a combination of both, the ministry said. Lazard Brothers of London are advisers, and a decision on the method of privatisation will depend on market conditions and whether Lazard can find a suitable foreign buyer, the ministry said.

Based on the current price of Vienna Airport shares of just under Sch600 per nominal share of Sch100, the government could raise around Sch2.2bn ($185m) from the sale of 18.25 per cent of the company.

The airport company said in November that it expected around 8 per cent annual growth in passenger numbers in the period 1993-97. During this period it plans to invest Sch1bn in a second terminal extension capable of handling up to 12 aircraft.

Turnover for 1993 is expected to be above Sch3bn with more than 7.2m passengers having passed through the airport, which continues to be an important gateway to central and eastern Europe.

The airport forecasts that passenger numbers will rise to almost 12m by the end of the decade.

Unions fear job cuts at Elf unit

By John Ridding in Paris

Elf-Atochem, the chemicals arm of Elf-Aquitaine, the French oil group which is due to be privatised within the next few weeks, is planning to cut about 400 jobs over the next two years, the company's unions said yesterday.

The cuts will affect the company's French operations, which employ 21,600. They will be achieved through voluntary redundancies and by shifting employment between the group's production sites. The plan is due to be officially approved later this month.

According to the unions at Elf-Atochem, the sites which will be affected include Vendin and Lens, in northern France.

Production of polyethylene at Lillebonne, near Le Havre, is expected to be transferred to Carling in eastern France.

The job cuts are part of Elf-Atochem's plans to adapt to the depressed European chemicals market, which is undergoing its sharpest downturn since the second world war.

However, industry analysts in Paris said that prices and demand were beginning to stabilise and that a series of restructuring measures at Elf-Atochem should enable the group to break even this year.

Union representatives criticised the planned job cuts. "They will hit areas which are already depressed and are unnecessary because Elf-Aquitaine remains in profit," said the Confédération Générale du Travail, the communist-led union group.

Deinhard sells brand

By Philip Rawstorne

Tropicana Products, Seagram's fruit juice business, has acquired Hitchcock, Germany's leading premium fruit juice brand, from Deinhard, the family-owned wine company. Terms of the deal were not disclosed.

Mr Manfred Scherer, Deinhard executive vice-president, said yesterday that the sale was a logical consequence of the company's long-term strategy of focusing on its core wine business.

However, Deinhard will continue to distribute the brand in Germany.

Mr Myron Roeder, Tropicana's president, said that Hitchcock, a pure fruit juice, was "a perfect match for our own portfolio of premium juices" and was an important step towards building a significant and profitable business.

Germany's annual consumption of fruit juice, at almost 40 litres a head, is the highest in the world but more than 97 per cent of available products are made from concentrate.

Neste and Statoil link

By Hilary Barnes in Copenhagen and Daniel Green

Neste of Finland, and Statoil of Norway, struggling to cope with worldwide overcapacity in plastics manufacture, yesterday signed an agreement to merge their petrochemical and polyolefin industries.

The merger by the two state-owned groups creates a new company called Borealis, which is one of the largest petrochemical groups in Europe. There will be cuts in overlapping parts of sales, marketing, administration and research and development.

Neste's Mr Juha Rantanen, who becomes chief executive of Copenhagen-based Borealis, said he did not plan to close any of the company's plants.

Assets in Borealis, which will be owned 50-50 by Neste and Statoil, will be about DM4bn ($2bn), and equity capital in the opening balance sheet will be about 40 per cent of assets, said Statoil's chief executive, Mr Harald Norvik. Borealis' annual turnover will also be about DM4bn.

Roche registers sales increase and sees higher profit

By Ian Rodger in Zurich

Roche, one of the big three Swiss pharmaceutical groups, recorded an 11 per cent increase in consolidated 1993 sales to SFr14.3bn ($9.7bn), following a 13 per cent rise in 1992. It said all divisions contributed to the sales increase.

The Basle-based group, which normally provides a full financial report in April, indicated it achieved "a significant increase" in group profit. In 1992, consolidated net income rose 29 per cent to SFr1.9bn.

Roche said operating profit last year was boosted by "a better utilisation of production capacity and consistent management of costs".

The significant increase in net income was also due to "another healthy result in the non-operating sector".

The group says that it has been only marginally affected by government pressure on drug prices in many countries. In Italy, the most recent European country to act in this area, Roche said it achieved real growth in sales last year, although the devaluation of the lire hurt the Swiss franc result.

Investors have showed great confidence in the group, bidding up its non-voting shares 51 per cent last year after a 60 per cent rise the previous year. Its current market capitalisation of about SFr61bn makes it the world's most highly valued pharmaceutical group.

The group had liquid reserves of more than SFr12bn at the end of 1992.

The pharmaceutical division, which accounts for more than half of total sales, reported a 13 per cent rise in revenue to SFr7.8bn.

The leading drugs (Rocephin, an anti-infection treatment, Dormicum-Versed, a mild anaesthetic, Roaccutane for treating severe acne, Furtulon for treating solid tumours and Roferon-A for cancer and anti-viral therapy) continued to record volume increases. Sales of the self-medication business, Roche Consumer Health, surpassed SFr1bn.

Sales of vitamins and fine chemicals advanced 7 per cent to SFr3.3bn, due to strong demand for vitamin E, beta-carotene and the feed additive Astaxanthin. The diagnostics division reported a 10 per cent rise in revenues to SFr1.7bn, while revenues of the flavours and fragrances division were up 8 per cent to SFr1.4bn.

Takeover stalemate ends with share sale

By Ronald van de Krol in Amsterdam

KNP BT, the Netherlands' biggest paper and packaging group, has disposed of its 46 per cent stake in Ahrend, the Dutch office furnisher. The move brings to an end a stalemate that has existed between the two companies since a failed takeover attempt in 1989.

The shareholding, worth around Fl 100m ($51m), was placed mainly with institutional investors, with Ahrend itself buying back around 10 per cent of the shares.

The Ahrend shares are a legacy of an unsuccessful takeover attempt nearly five years ago by Bührmann-Tetterode (BT), which merged in early 1993 with KNP and VRG of the Netherlands to form KNP BT.

KNP BT said that the disposal would lead to an unspecified extraordinary gain. However, the company added that, overall, it would be taking an extraordinary charge of around Fl 300m this year to finance reorganisations, in line with earlier predictions.

KNP BT indicated last year that it wanted to sell its Ahrend shares, saying the shareholding had been downgraded from a strategic to a financial investment.

Gillette shake-up costs $164m

By Richard Tomkins in New York

Gillette, the US shaving and consumer products group, yesterday announced plans to reorganise its overseas operations in a move that will bring 2,000 job losses over the next two years and a one-time after-tax charge of $164m in the fourth quarter of 1993.

It said sales, profits and earnings were expected to reach record levels in the fourth quarter before special charges, reflecting the introduction of new products and the first-time inclusion of results from Parker Pen, which it bought last May.

The company said the job losses, which represent about 6 per cent of the workforce, would fall largely outside the US, but would not specify where.

It said the cuts were likely to be balanced by growth elsewhere, so overall employment would remain roughly at today's level of 34,000 by the end of the year.

Mr Alfred Zeien, chairman and chief executive, said the company needed to reorganise to compete more effectively and expand in international markets.

Part of the plan will be to reorganise its international manufacturing operations, dedicating plants to specific product lines instead of expecting each of them to make a diverse range of goods.

The group also aims to improve efficiency by consolidating some of its warehouses and sales centres and by integrating computer networks.

Gillette's products include razors and toiletries sold under the Gillette brand, Oral-B toothbrushes, Parker and Paper Mate pens, and Braun electrical goods.

Most of its operations are in the US, Europe and Latin America, but it is also expanding in other markets, such as China, India and Turkey.

Mr Zeien said the effect of the efficiency savings would be felt mainly next year and there would be no significant impact on the current year's results.

Banks asked for new Metallgesellschaft credits

By Christopher Parkes in Frankfurt

Metallgesellschaft's bank creditors heard yesterday that they were expected to extend new credits worth DM700m ($407m) to the crisis-torn German metals and engineering group as part of the rescue package put forward last Wednesday.

The request, restricted to banks which are owed more than DM50m, was DM200m more than the figure mentioned at last week's crisis meeting, when the new management also proposed raising DM1.4bn through a share issue, plus a DM1.3bn debt-for-equity swap.

It came in a note sent out yesterday that was described by one source as "long on what is required of the banks but short on the new strategic direction of the group".

The note said that participants in the new credit line would be granted a charge over Metallgesellschaft assets assembled in what one banker described as a "security pool".

It is understood that Deutsche Bank and Dresdner Bank, both house banks to and shareholders in Metallgesellschaft, will not be involved in this part of the proposed deal.

The two banks contributed an estimated DM1bn in fresh credits late last year when details first emerged of the oil market speculation losses which have brought the group to the brink of insolvency.

Although smaller lenders are believed to be anxious that the new proposal relegates their debt to junior status, bankers on balance believed that the rescue would go ahead.

"There are not many people around who think they will be better off if they allow the company to go down," one noted. Lenders and shareholders, who have until the end of Wednesday to approve the deal, accept that insolvency is the only alternative to agreement.

Mr Eberhard Zinn, a director of the Bayerische Landesbank, one of Metallgesellschaft's biggest lenders, said his board had not yet made a formal decision, but added: "We hope we will be able to get it through."

Mr Zinn told the Reuters news agency that some foreign creditors might have difficulties accepting the package "above all for reasons of timing". But it was important that such lenders – accounting for around half the total of 100-plus banks involved – should agree, he added.

Non-German bankers complained yesterday at the lack of time allowed for consideration, the rigidity of the conditions and their inability to negotiate.

"There will be many lessons to be drawn from this. It does not paint a very flattering picture of the German way of doing things," one said.

"Some people may try to lay down conditions for participating, but I suspect they will join in, kicking and squealing," another added.

Federated eyes a bargain buy in Macy's

Merger would create retailing empire with turnover of $13bn, writes Richard Tomkins

Federated Department Stores' attempt to take over the equally prominent R. H. Macy group is unusual by even US standards.

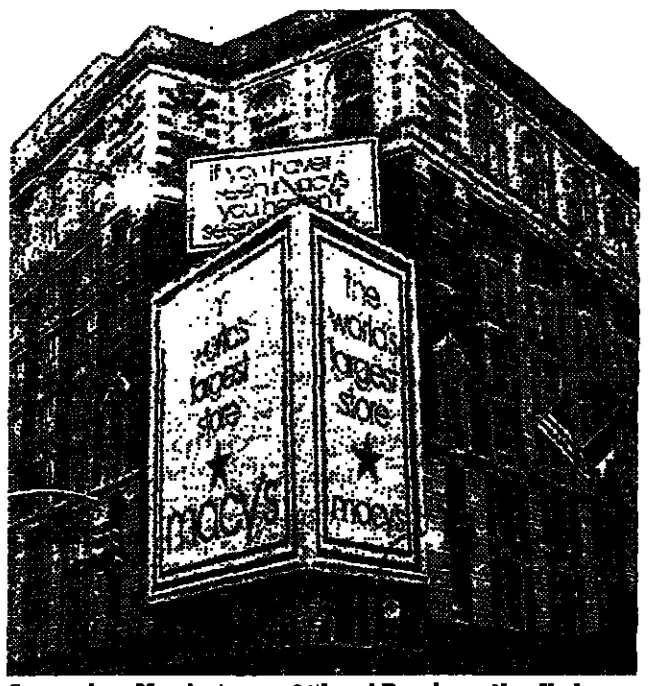
The merger of two of the world's best-known names in department stores – Federated owns Bloomingdale's and several other US chains – would create a vast retailing empire.

But this is no ordinary takeover bid. R. H. Macy has been operating under Chapter 11 bankruptcy protection since January 1992, so its future lies in the hands of creditors rather than shareholders.

Instead of bidding for Macy's equity, Federated has staked a claim on the company by acquiring $449m worth of its highest-ranking debt from the Prudential Insurance Company of America, just as Macy's prepares its plans for a capital reorganisation.

If Federated succeeds in acquiring Macy's, it will become the biggest department store group in the US. Apart from Bloomingdale's, Federated owns the A&S, Jordan Marsh, Stern's, Lazarus, Rich's, Goldsmith's, Burdines and Bon Marché chains in the US. Its 219 stores recorded sales of $7bn in 1992.

R. H. Macy, with 111 stores in the Macy's and Bullock's chains, turned over $6.3bn in the year to last July, so the combined group's turnover of more than $13bn would put it in the number one slot above May Department Stores, which had 1992 turnover of $11bn.


Corner shop: Macy's store on 34th and Broadway, New York

Nevertheless, Federated's strategy raises an obvious question. Why would anybody want to take over a bankrupt department store group – particularly when department stores are seen as the dinosaurs of retailing, losing market share to newer shopping formats such as out-of-town malls and warehouse clubs?

Part of the answer lies in the fact that the death of the US department store has been exaggerated. Some of its problems were as much to do with over-leveraged buy-outs in the 1980s as they were to do with loss of customers.

Most groups are now doing modestly well, especially those – like Federated – which have restructured balance sheets, improved buying, dropped money-losing lines and made their stores more attractive.

Yet department stores ignore the competitive threat at their peril. Consumers want value for money, and other retailing formats are only too keen to deliver. Mr Allen Questrom, Federated's chairman and chief executive, says that if department stores are going to be around in the 21st century, they have to get their costs down to a level where they can compete.

Federated – which itself emerged from bankruptcy protection nine days after Macy's went into it – has achieved an impressive financial recovery in the two years since by securing internal efficiencies.

But the next step, Mr Questrom says, must be to improve competitiveness and deliver better value to customers by securing the economies of scale that come with being a bigger group – for example, by winning greater buying clout and spreading administration costs across a larger sales base.

Mr Questrom may yet be thwarted. To succeed with a bid, he will have to win the support of Macy's other creditors by persuading them that his plan is in their interests as well as his own company's.

The bankruptcy court judge will have to be similarly persuaded, and may also need to be convinced that a merger would not be anti-competitive.

Macy's has until March 15 to come up with a reorganisation plan (though it can plead for more time). Some suspect Federated will use its position to block the Macy plan and impose its own, but Mr Questrom insists all he wants to do is put forward an alternative and let creditors decide.

"This is not a hostile takeover," he says. "We wouldn't do it, the courts wouldn't let us do it, and that's not our intent."

As for anti-trust issues, Mr Questrom dismisses them as irrelevant. Maybe there was a time when department stores dominated US retailing, he says, but it has long gone. The entire department store sector sells less in a year than Wal-Mart, the large discount-store group, and faces competition from an ever-increasing proliferation of formats.

Nevertheless, Macy will certainly not give up without a fight. Other would-be bidders, such as May Department Stores or Dillard Department Stores, may yet enter the fray. Federated itself may walk away if, on closer examination, it decides the deal does not make sense.

What of the $449m of shareholders' money that Federated has already spent? Mr Questrom says he is not worried. The debt it has bought ranks above all other claims against Macy, is secured against 70 stores, and is piling up interest at the rate of 12 per cent a year.

Even if Macy were to collapse, Mr Questrom says, Federated would still get its money back when the assets were sold. "It's a good investment. If it doesn't materialise into a combination, there's very little downside," he says.

Good second quarter for Gold Fields companies

By Matthew Curtin in Johannesburg

Gold Fields of South Africa has reported a dip in after-tax profit to R387.7m ($76.5m) in the second quarter to December from R396.7m in the September quarter, after higher gold output was offset by a lower gold price received.

The weaker gold price, down to R39,758 a kilogram from R41,640 a kilogram, masked a good operating performance from the group's four mining companies.

Mr Alan Munro, executive director, said yesterday that the quarter was "satisfactory" as management successfully "kept the lid on costs".

He noted that despite the more or less flat quarter-on-quarter performance, results for the half year showed after-tax profit improved to R784.3m from R497m in the same period in 1992.

The after-tax profit in the second quarter a year ago was R270.2m.

Overall gold production for the second quarter rose to 30,713 kilograms from 29,259 kilograms, reflecting an increase in tonnes of ore milled and better grades.

Working profit increased marginally to R491.7m from R491.3m, but a decline in the group's tax provisions to R142.5m from R148.6m was outweighed by a fall in sundry revenue to R38.5m from R53.9m.

Driefontein, South Africa's most profitable gold mine, had a strong quarter. Its east division hit patches of unexpectedly good ground, lifting its grade by more than 10 per cent to a four-year high of 10.5 grams a tonne. After-tax profit rose to R194.4m against R185m.

Mr Munro praised the results from Kloof, the other large producer in the group, which showed no ill effects from the accident in October which badly damaged one of its shafts and trapped 150 miners underground for several days. He said the mine had enough ore reserves stored above ground to ensure it maintained its gold output for as long as it took to repair the damaged shaft.

With better performances from its Leeudorn and Libanon divisions, Kloof's results were dented only by weaker gold price. After-tax profit fell to R174m from R187.5m.

Doornfontien, under threat of closure for some time, was able to maintain its recent profitability by mining more underground ore, turning in almost unchanged after-tax profit of R4.33m compared with R4.57m. Mr Munro said the mine's future was dependent on improved gold prices and the development of more underground ore reserves.

The group's other producer Deelkraal struggled to meet production targets, but made an after-tax profit of R14.9m.

ST in France Telecom link

Singapore Telecom (ST), Singapore's biggest listed company, has signed a memorandum of understanding with France Telecom to study the feasibility of a cable system linking south-east Asia with Europe, writes **Kieran Cooke in Kuala Lumpur.**

ST has also signed a second MoU with France Telecom, AT&T of the US and Kokusai Denshin Denwa of Japan for another feasibility study on a cable network.

Correction
McGraw-Hill

McGraw-Hill was incorrectly described as a municipal bond inter-dealer broker in the January 5 edition of the FT. This description should have referred to McGraw-Hill's wholly-owned subsidiary, J.J. Kenny.

BZ Trust to reduce commission charges

By Ian Rodger in Zurich

BZ Trust, the fund management unit of the BZ banking group in Zurich, has agreed to reduce the commission it charges for managing the three investment companies controlled by the group.

BZ has come under public criticism for the massive commissions earned in the past year, although BZ officials insist that no investors have complained.

In the first eight months of the fiscal year, it earned SFr132.7m ($90.2m) for managing BK Vision, a quoted company that specialises in holding banking shares. In the first six months, it earned SFr140.4m from Pharma Vision, another quoted company which specialises in pharmaceutical shares.

The performance related commission structure has been based on the market capitalisation of the companies rather than their net asset value.

However, a significant part of the commissions paid arose because the prices of the Vision shares moved in the past two years from discounts of roughly 10 per cent against net asset value to premiums of a similar order.

Mr Kurt Schiltknecht, president of BZ Trust, said that as of the fourth quarter of last year, commissions have been based on the lower of market value and net asset value.

The result in the fourth quarter was to reduce BZ Trust's total commission income by between SFr150m and SFr200m.

Hong Leong gains banking respectability

Kieran Cooke reports on Quek Leng Chan and the Malaysian conglomerate he heads

Mr Quek Leng Chan, head of Malaysia's Hong Leong group of companies, is a renowned gambler. He has been known to wager thousands of dollars on the casino tables. Every Christmas, he is said to take his one holiday of the year – in Las Vegas.

But in business, Mr Quek, a lawyer by training and one of Malaysia's most powerful but reclusive corporate leaders, is regarded as a shrewd and patient planner, interested more in long-term strategy than short-term gains.

From modest beginnings in the late 1960s, Hong Leong (HL) has grown into one of the biggest conglomerates in Malaysia. It is involved in virtually every aspect of the country's economy, from the manufacture of roofing tiles and semiconductors to newspapers and property. HL's 10 companies, listed on the Kuala Lumpur stock market, have an annual turnover of more than M$3.4bn (US$1.3bn).

Mr Quek also heads a spreading regional empire involved, among other things, in motorcycle manufacturing in China, mining in the Philippines and property and stockbroking in Britain.

Now the final touches have been put on a M$1.1bn deal which will make Mr Quek a main force in Malaysia's fast-expanding financial services sector. After protracted negotiations HL has gained control of MUI Bank, a Malaysian bank with 35 retail branches within Malaysia and one in Singapore. An associated finance company, MUI Finance, is also being brought under HL control.

"The acquisition of MUI Bank and Finance is the last piece in HL's corporate structure," says an analyst. "HL has gained the respectability associated with retail banking operations and now has the financial muscle to rival any 'hong' in the region."

'1993 was quite a year for Quek Leng Chan. He backed the right politician, became head of a banking empire and his shares raced ahead'

HL's expansion has been closely associated with the political rise of Mr Anwar Ibrahim, Malaysia's finance minister. In Malaysia, as with most countries in south-east Asia, politics and business are often closely related.

Analysts say Mr Quek backed the finance minister's successful bid late last year for the deputy leadership of the United Malays National Organisation (UMNO), the dominant political party in the country. Mr Anwar is seen as the leader of a new generation of Malays, and the man most likely to succeed Dr Mahathir Mohamad, Malaysia's prime minister for the past 12 years.

Last January, HL helped four supporters of Mr Anwar in a M$800m management buy-out of both the New Straits Times, Malaysia's main newspaper and publishing group, and the country's only privately-held TV station.

Analysts say Mr Anwar, who would have the final say on a transaction like the MUI deal, has given a big fillip to HL's expansion plans: banking licences are hard to come by in Malaysia.

Mr Anwar has denied any favouritism. "I don't favour any group. As long as everything is in order and it benefits the economy, business proposals will be approved," he said.

Like many of his fellow multi-millionaire Chinese businessmen in south-east Asia, Mr Quek's ancestors were poor immigrants from southern China. The clan first settled in Singapore, where one branch of the family, with the surname Kwek, runs a separate HL group. The bigger, more diversified HL group is headquartered in Kuala Lumpur, under the control of 50-year-old Mr Quek.

"HL is a very Chinese company in that Quek and his family keep tight control on all operations, but the group has highly professional managers at its centre," says a fellow Chinese businessman.

HL's Malaysian operations are divided into three main parts. Construction is headed by Hume Industries, one of Malaysia's biggest building companies. Hume is expanding rapidly in tandem with a massive infrastructure development programme now being undertaken Malaysia. Hume also recently bought an 85 per cent stake in Nanyang press, publishers of Malaysia's highest circulation daily Chinese newspaper.

'With the acquisition of MUI, HL has gained the respectability of retail banking and the financial muscle of any 'hong' in the region'

Hong Leong Industries (HLI) manufactures building materials and is also involved in the motorcycle industry, with a 50 per cent share of the Malaysian market. Associated companies are involved in steel production, electronics and packaging.

With the acquisition of MUI Bank and Finance, market attention in the coming months is likely to focus on HL Credit (HLC), the financial arm of Mr Quek's empire. Analysts say Mr Quek is likely to use HLC's estimated asset base of M$5bn to become a market leader in Malaysia's fast expanding financial services sector.

Most of HL's overseas operations are believed to be held under the Hong Kong-listed Guoco group of companies, with assets estimated at US$3bn. Through Guoco, Mr Quek is a controlling shareholder in the Dao Heng Bank and Overseas Trust Bank in Hong Kong. Associated activities in Hong Kong include insurance and stockbroking.

Mr Quek is known as one of biggest players on the Kuala Lumpur stock exchange. Analysts say that with the Kuala Lumpur market going up 98 per cent last year, Mr Quek has become considerably richer in recent months – though they hesitate to put a figure on his personal wealth.

Meanwhile, HL companies are making handsome profits – Hume's pre-tax profit was M$134m in the year to June 1993 compared to M$103m in the previous period. "1993 was quite a year for Quek Leng Chan," said a fellow Malaysian businessman. "He backed the right politician, he became head of a banking empire and shares in his companies raced ahead on the stockmarket. He probably won at the tables as well."

NEWS DIGEST

India allows 38 proposals from overseas

India has approved 38 investment proposals from foreign companies totalling Rs2bn ($64.51m), a government statement said, **Reuter reports from New Delhi.**

The foreign companies that have been cleared for investing in India include France's Thomson-CSF and Pizza Hut, a subsidiary of PepsiCo.

Thomson-CSF, which makes defence electronics equipment, will set up a joint venture with an Indian company, Technological Services of India, to maintain and calibrate electronic measuring equipment.

Pizza Hut will set up a 100 per cent-owned company to launch a chain of pizza restaurants in India. The company will not repatriate profits in its first seven years.

Other proposals approved yesterday include 100 per cent export oriented units in areas such as soya de-oiled cake, dyed and printed cotton fabrics, cotton terry towels and automobile halogen lamps.

Seapower may spin off business

Seapower International Holdings, the cold storage company with interests in finance, trading investments and property, might spin-off its financial services businesses into a separately-listed company, **AP-DJ reports from Hong Kong.**

In a statement to the Hong Kong Stock Exchange yesterday, the group said directors were considering a reorganisation proposal whereby a newly-established company would carry out the financial services businesses now conducted by various subsidiaries.

The new company would list on the stock exchange and remain under Seapower International's control. "The terms of the reorganisation proposal are currently under discussion," Seapower said.

Albatronics plans HK listing

Albatronics (Far East) Co said it was seeking a listing in Hong Kong to raise HK$89m (US$11m) through the issue of 50m shares, or 25 per cent of the company's enlarged share capital, **Reuter reports from Hong Kong.**

The shares in the electronic components maker are being offered at HK$1.78 each, a fully diluted prospective price/earnings multiple of 8.9 times, it said. The funds will be used to build new plants in China. "We plan to invest some HK$40m more in the coming few years in China for setting up new joint venture plants," said managing director Mr Fukumori Nakahara.

Global offerings meet demand for higher yields

By Tracy Corrigan and Conner Middelmann

Global bond offerings in yen, Canadian dollars and Finnish markka yesterday reflected the growing trend for such offerings across a broader range of currencies, as investors become increasingly willing to buy foreign currency bonds in search of higher yields.

Italy's Y300bn seven-year global bond met strong demand, particularly in Japan, where it can be placed with both retail and institutional investors following last month's easing of regulations.

Although the whole deal could easily have been placed in Japan, according to lead manager Daiwa Europe, at least half of the issue will be sold elsewhere.

Joint lead manager JP Morgan reported surprisingly strong sales to US investors, who are not usually buyers of yen bonds. They were said to be attracted by the liquidity of the deal, and are bullish on both Japanese interest rates and on the yen's performance against the dollar.

The deal will be priced at 7am in London today, at a yield spread of 41–43 basis points above the seven-year Japanese government bond.

Strong demand is likely to lead to a pricing at the tighter end of that range, representing a cost of funds for Italy of less than 20 basis points above dollar Libor.

The Canadian dollar sector was dominated by a C$1bn global bond offering by Hydro-Quebec, one of Canada's largest power utilities, via Merrill Lynch and ScotiaMcLeod.

INTERNATIONAL BONDS

The 10-year bonds, priced to yield 71 basis points over the new Canadian benchmark, got off to a slow start but eventually met broad-based demand, a syndicate official at one of the lead managers said.

He estimated that some 20 per cent of the deal was bought by Far Eastern investors, with another 40 per cent flowing into European accounts and 40 per cent taken by North American investors.

Finnish Export Credit launched the first ever global bond offering in the Finnish markka market. The FM2bn deal due 1999 will be priced today at 25 basis points over the comparable Finnish government bond.

Although issuance in the Finnish markka sector is widely expected to increase this year – this deal alone exceeds last year's total – further global deals are unlikely, as no other Finnish borrowers (apart from the Republic) are registered with the US Securities & Exchange Commission and swap opportunities are meagre.

In the sterling sector, the Halifax Building Society launched a £500m 10-year deal, priced to yield 32 basis points over the comparable gilt. The deal, which was unusually large for a building society issue, attracted strong demand, partly because of the lack of current coupon paper in the sector.

Also in the sterling sector, the City of Salford and Leicester City Council launched the first local authority bonds since 1982, with deals totalling £100m and £80m respectively. Both issues were placed in the sterling domestic market by UBS.

Meanwhile, Hongkong Land Holdings' first ever international bond issue met strong investor demand.

The company issued $360m of convertible bonds to refinance its investment in Trafalgar House, the troubled conglomerate in which it holds a 25 per cent stake.

According to an official at the lead manager, Jardine Fleming, the paper was snapped up by investors in Hong Kong, the UK, the US and Switzerland. "It's the bluest of Hong Kong blue chips," he said. Hongkong Land, which has a stranglehold on office space in the colony's central business sector, is set to benefit from this year's expected rise in property valuations and rental rates.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Hongkong Land Holdings(a)§	360	(4.00)	100.00	Feb.2001	-	-	Jardine Fleming
Morgan Stanley Group‡	250	(b)	99.78R	Jan.1997	0.25R	-	Morgan Stanley Intl.
BT Securities Corp.‡	200	(c)	99.8125R	Feb.1997	0.25R	-	Kidder Peabody Intl.
Somprasong Land(d)§	60	(3½-4)	100.00	Jan.2004	2.50	-	Crosby Securities
D-MARKS							
Sudwestdeutsche LB Cap.Mkts.	250	5.00	101.27	Feb.1999	2.00	-	Goldman Sachs
Banco Bamerindus do Brasil	100	9.25	101.30	Jan.1999	2.50	-	BHF Bank
YEN							
Republic of Italy(e)	300bn	(f)#	(f)R	Jun.2001	0.30R	(f)(6.6%-01)	Daiwa Europe/ JP Morgan
STERLING							
Halifax Building Society	500	6.50	99.185R	Feb.2004	0.35R	+32 (6¾%-04)	Deutsche Bank/ UBS
Bayerische Hypotheken(e)	100	6.00	99.675R	Oct.1999	0.30R	+24 (6%-99)	Hambros Bank
CANADIAN DOLLARS							
Hydro-Quebec(e)	1bn	7.00#	98.338R	Jun.2004	0.35R	+71 (6½%-04)	M.Lynch/ ScotiaMcLeod
Export Development Corp.(e)	150	5.00	98.80R	Dec.1997	0.20R	flat (g)	Hambros Bank
GUILDERS							
LKB Finance	300	5.75	99.60R	Feb.2004	0.25R	+20 (5¾%-04)	ABN Amro Bank
FINNISH MARKKAS							
Finnish Export Credit	2bn	(h)	(h)R	Jan.1999	0.30R	+25 (11%-99)	Goldman Sachs Intl.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: later this week. Conv prem indicated at 12-15%. Callable from 22/4/94 subject to 140% rule. Overallotment option: $50m. b) Coupon: 3-mth Libor +⅛%. c) Coupon: 3-mth Libor +¼%. d) Fixing: today. Conv prem indicated at 10-15%. Puttable in 5yrs to yld T+150bp. Callable, subject to 140% rule, from Jan.99 at yld to put and from Jan.01 at par. e) Short 1st coupon. f) Priced today at 41-43bp over JGB's. g) Spread is over interpolated yld curve. h) Priced today. Plus 9 days accrued.

Improvement in credit ratings of European issuers

By Conner Middelmann in London and Richard Waters in New York

European issuers' credit quality declined further in 1993, but the deterioration is set to slow in 1994, according to Standard & Poor's, the US credit rating agency.

Although downgrades outpaced upgrades in 1993, fewer ratings were lowered than in the previous two years, S&P said yesterday. In 1993, 48 European issuers were downgraded and seven upgraded, compared with 65 downgrades and no upgrades in 1992.

But while ratings should be more stable this year, Europe is not likely to see the turnround that is taking place in the US, where upgrades now outpace downgrades.

European downgrades last year were concentrated in Sweden, Finland, France and Italy. The banking sector accounted for the bulk of the European downgrades, with 23 out of a total of 48. In most European markets, economic recession and weak real estate markets played a part in declining credit quality.

However, the sector also suffered from fundamental changes in the industry, involving deregulation and internationalisation which increased competition.

Moreover, in some European countries, moves to sell state-owned banks put pressure on ratings, said Mr Barry Hancock, head of S&P's banking group. He said bank downgradings would probably fall in 1994 but warned that ratings were unlikely to bounce back to pre-recession levels.

Although the European credit outlook for 1994 is more positive than in recent years, the agency warned that recovery has been relatively weak and the recession in Germany could stall recovery elsewhere.

Last year's improvement in credit quality among many US bond issuers could be threatened by a resurgence of borrowing, in part to finance takeovers, the two largest US credit rating agencies warned.

S&P said it raised more ratings than it lowered for the first time since 1980, while Moody's reported upgrades outnumbering downgrades for the first time in nine years.

An improvement in the financial structure of many US companies, rather than an upturn in the economy, had accounted for the improving credit picture, Moody's senior economist John Lonski said. Many companies had taken advantage of the strong stock market to raise equity and reduce their gearing.

Both agencies pointed to banking as the sector where the greatest number of upgrades had been achieved. Non-investment grade (or junk) bonds also saw strong improvements, the first overall increase in credit quality in this market since 1980.

Both warned, though, that increased borrowing to back takeovers could weaken the balance sheets of some companies this year.

Mr Leo O'Neill, president of S&P, said: "Size does not equate to strength; perceived synergies do not automatically create products and services consumers need, or even want; and acquiring companies using a surfeit of debt may leave the combined operation too weak to confront unexpected contingencies."

Jitters over new supply leave long-dated gilt prices lower

By Sara Webb in London and Patrick Harverson in New York

Auction jitters pushed UK government bond prices lower yesterday and, although the market recovered slightly, long-dated gilts still ended the day about a quarter of a point lower.

Dealers expect the Bank of England to announce the preliminary details of the January gilt auction this week. The market expects the new supply to be at the very long end, with either a new 20-year or a new 25-year gilt as the auction stock.

Such an announcement is likely to depress long-dated gilts, dealers said, especially since it would probably be interpreted as signalling that the Bank sees little scope for a further reduction in long gilt yields.

The economic news released yesterday had little impact on gilt prices and economists said it provided confirmation of a recovery, although the consumer credit figures were slightly weaker than expected, with net consumer credit rising by £290m in November.

Looking ahead this week, the gilt market will focus on the unemployment figures tomorrow and the meeting between the Mr Kenneth Clark, the chancellor of the exchequer and Mr Eddie George, the governor of the Bank of England, for a signal on interest rates.

GOVERNMENT BONDS

■ Among the high-yielding European government bond markets Italy closed three-quarters of a point down, rattled by further political scandals, dealers said.

The Liffe March futures contract ended 0.78 down at 117.10, off the low price of 117.05. The bond market fell on rumours that top politicians were involved in an alleged attempt to hush up a scandal over secret service slush funds.

Spanish bonds saw some weakness, dealers reporting foreign selling of Spanish paper because of worries about the peseta and unease over the Banesto debacle.

■ German government bonds ended the day almost unchanged, showing little response to news that western Germany's gross domestic product shrunk by 1.9 per cent in 1993, following growth of 1.6 per cent in 1992.

Elsewhere in Europe, the French market fell back on disappointment over the lack of an interest rate cut.

■ Swedish government bonds, which had rallied strongly last week as details of the government's budget proposals leaked into the market, ended yesterday little changed as expectations were generally confirmed, dealers said.

■ Profit-taking following last Friday's strong rally left US Treasury prices lower at the long end of the market yesterday morning.

By midday, the benchmark 30-year government bond was down 11/32 at 100, yielding 6.245 per cent, and the two-year note unchanged at 100 11/32, to yield 4.049 per cent.

The selling of longer-dated Treasuries began overnight on foreign markets and, after a brief rebound, continued into the morning in New York. Traders were not concerned by the activity, which they categorised as natural profit-taking by investors after last week's late gains.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	119.9200	−0.180	6.44	6.64	6.72
Belgium		9.000	03/03	117.0700	−0.130	6.47	6.34	6.67
Canada *		7.500	12/03	107.1000	+0.550	6.51	6.62	6.71
Denmark		7.000	12/04	107.5700	−0.130	6.03	6.10	6.28
France	BTAN	6.500	05/98	110.1200	+0.010	4.95	6.03	6.06
	OAT	6.750	10/03	107.9500	+0.040	5.67	5.63	5.99
Germany		6.000	09/03	102.9700	+0.020	5.59	5.54	5.81
Italy		9.000	10/03	102.1600	−0.610	8.66†	8.51	8.95
Japan	No 119	4.800	06/99	111.7710	+0.040	2.36	2.37	2.50
	No 157	4.500	06/03	111.0280	+0.240	3.00	3.04	3.17
Netherlands		5.750	01/04	101.1600	–	5.60	5.50	5.75
Spain		10.500	10/03	115.3000	+0.250	8.16	8.05	8.42
UK Gilts		9.750	01/98	114–08	−2/32	5.70	5.61	5.70
		6.750	11/04	104–10	+13/32	6.14	6.10	6.38
		9.000	10/08	123–13	−7/32	6.49	6.39	6.67
US Treasury *		5.750	08/03	100–23	+9/32	5.65	5.87	5.70
		6.250	08/23	99–31	+8/32	6.25	6.39	6.18
ECU (French Govt)		6.000	04/04	100.9200	+0.320	5.87	5.91	6.14

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.90	130.72	-0.02	130.92	130.68	126,574	132,033
Jun	130.42	130.22	-0.04	130.42	130.18	345	9,265
Sep	129.54	129.34	-0.04	129.54	129.54	2	638

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
128	-	-	-	-	0.05	0.36
129	-	-	-	0.05	0.10	0.55
130	-	1.17	1.50	0.17	0.22	0.82
131	0.27	0.62	0.89	-	0.45	-
132	0.06	0.26	-	-	0.87	-
133	-	0.09	0.36	-	-	-

Est. vol. total, Calls 14,947 Puts 21,057. Previous day's open int., Calls 212,141 Puts 282,367.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.21	101.09	-0.08	101.26	101.03	86891	142833
Jun	101.21	101.04	-0.08	101.21	101.02	674	1810

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10100	0.59	1.02	0.50	0.98
10150	0.36	0.79	0.77	1.25
10200	0.21	0.60	1.12	1.56

Est. vol. total, Calls 17686 Puts 8547. Previous day's open int., Calls 184810 Puts 112013

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.56	103.50	-0.07	103.58	103.50	1281	10656

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	117.65	117.10	-0.78	117.65	116.97	37287	53071
Jun	117.25	117.20	-0.78	117.25	117.25	15	199

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11700	1.55	2.88	1.45	2.68
11750	1.33	2.84	1.73	2.94
11800	1.10	2.41	2.00	3.21

Est. vol. total, Calls 1792 Puts 1128. Previous day's open int., Calls 38810 Puts 39502

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.85	104.83	+0.04	105.95	104.67	35,425	82,405
Jun	104.90	104.79	+0.10	104.90	104.77	33	7,999

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	119-20	119-17	-0-07	119-20	119-08	51066	103994
Jun		118-27	-0-07			0	139

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
119	1-27	1-60	0-57	2-06
120	0-58	1-31	1-24	2-41
121	0-35	1-06	2-01	3-16

Est. vol. total, Calls 3276 Puts 3391. Previous day's open int., Calls 83346 Puts 45361

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	122.30	122.02	-0.08	122.30	122.02	4,618	13,512
Jun	-	96.60	-	-	-	-	50

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	116-08	115-27	-0-08	116-08	116-25	484,781	303,850
Jun	115-04	114-23	-0-09	115-04	114-23	4,347	14,611
Sep	113-31	113-24	-0-08	114-03	113-24	867	19,595

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.25	-	-	118.25	118.14	1250	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jan 10	Day's change %	Fri Jan 7	Accrued interest	xd adj. ytd
1 Up to 5 years (25)	129.93	+0.02	129.91	2.14	0.00
2 5-15 years (22)	163.02	−0.07	163.13	2.45	0.10
3 Over 15 years (8)	189.19	−0.20	189.57	2.23	0.00
4 Irredeemables (6)	226.13	−0.02	226.19	1.63	0.00
5 All stocks (61)	157.46	−0.07	157.57	2.33	0.05
Index-linked					
6 Up to 5 years (2)	191.45	+0.13	191.21	1.37	0.00
7 Over 5 years (11)	191.57	−0.12	192.10	0.58	0.30
8 All stocks (13)	190.62	−0.09	191.06	0.66	0.26
Debentures and Loans					
9 Debs & Loans (65)	151.85	+0.41	151.23	2.46	0.11

	Low coupon yield Jan 10	Jan 7	Yr. ago	Medium coupon yield Jan 10	Jan 7	Yr. ago	High coupon yield Jan 10	Jan 7	Yr. ago
5 yrs	5.66	5.66	7.09	5.89	5.88	7.56	5.99	5.99	7.78
15 yrs	6.37	6.38	8.35	6.50	6.47	8.79	6.72	6.70	9.06
20 yrs	6.49	6.48	8.62	6.55	6.53	8.98	6.74	6.72	9.14
Irred.†	6.64	6.64	8.95						

	Inflation 5% Jan 10	Jan 7	Yr. ago	Inflation 10% Jan 10	Jan 7	Yr. ago
Up to 5 yrs	2.16	2.20	2.72	1.35	1.38	1.94
Over 5 yrs	2.95	2.94	3.85	2.78	2.77	3.67

	5 year yield Jan 10	Jan 7	Yr. ago	15 year yield Jan 10	Jan 7	Yr. ago	25 year yield Jan 10	Jan 7	Yr. ago
Debs & Loans	7.19	7.23	8.91	7.55	7.58	9.88	7.69	7.72	10.05

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 10	Jan 7	Jan 6	Jan 5	Jan 4	Yr ago	High*	Low*
Govt. Secs. (UK)	106.57	106.65	106.46	106.57	106.91	93.83	107.60	93.28
Fixed Interest	132.24	131.06	130.99	131.15	131.68	109.36	132.24	108.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 132.24 (10/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Jan 7	Jan 6	Jan 5	Jan 4	Dec 31
Gilt Edged bargains	86.9	90.5	74.2	73.7	34.5
5-day average	72.0	66.9	59.0	51.5	52.5

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
"Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	8.48	5.26	100⅛xd	—	102⅞	100⅛
14½pc 1994‡‡	14.32	5.29	101⅛	-1/16	109¼	101⅛
Exch 13½pc 1994	13.10	5.22	102⅞	—	109⅛	101⅞
Treas. 10pc Ln. 1994‡‡	9.81	5.14	101⅞	-1/16	105⅞	101⅞
Exch 12½pc 1994	11.87	5.06	104⅞	—	110⅛	104⅞
Treas 9pc 1994‡‡	8.72	5.03	103¼	—	105⅞	103¼
12pc 1995	11.21	5.01	107⅛xd	—	111⅞	107⅛
Exch 3pc Gas 90-95	3.08	4.66	98	—	98	94
10¼pc 1995	9.53	5.06	107⅛xd	—	109⅝	107⅛
Treas 12¾pc 1995‡‡	11.28	5.12	113⅛	—	118⅝	113⅛
14pc 1996	11.99	5.22	116¾xd	—	120⅝	116¾
15¼pc 1996‡‡	12.58	5.37	121⅜	—	125⅝	121⅜
Exch 13¼pc 1996‡‡	11.30	5.31	117¼	-1/16	120⅛	115⅝
Conversion 10pc 1996	8.94	5.45	111⅞	—	112⅝	108⅞
Treas 13¼pc 1997‡‡	10.94	5.57	121¼xd	-1/16	122⅞	118½
Exch 10½pc 1997	9.23	5.60	113¾	—	114⅞	110⅛
Treas 8¾pc 1997‡‡	7.96	5.61	110⅛	—	110⅞	105½
Exch 15pc 1997	11.44	5.75	131⅛	-1/16	132⅞	127⅞
9¾pc 1998	8.54	5.73	114⅛xd	—	114⅞	109¼
Treas 7¼pc 1998‡‡	6.85	5.65	105⅞	—	106⅞	99⅞
7¼pc 1998 B‡‡	6.85	5.66	105⅞	—	106⅞	101⅞
Treas 6¾pc 1995-98‡‡	6.63	5.30	101⅞	—	102¼	97⅞
14pc '96-1	10.72	5.94	130⅞	-1/16	131⅝	125⅛
Five to Fifteen Years						
Treas 15½pc '98‡‡	11.10	5.77	139⅞	-1/16	140⅞	133⅞
Exch 12pc 1998	9.58	5.99	125¼	-1/16	126⅛	118⅝
Treas 9½pc 1999‡‡	8.21	5.82	115⅞xd	—	116⅛	108⅛
Exch 12¼pc 1999	9.61	6.00	127⅞	-1/16	128½	120⅛
Treas 10½pc 1999	8.80	5.90	120⅞	—	121⅞	112⅞
Treas 6pc 1999‡‡	6.05	5.74	101⅞xd	+1/16	101⅞	96¼
Conversion 10¼pc 1999	8.48	5.97	120⅞	-1/16	121½	112⅞
[illegible]						
8pc 2003‡‡	7.10	6.20	112⅝	-⅛	113⅞	97⅛
10pc 2003	7.92	6.32	126⅛	-⅛	127⅛	109⅝
Treas 11½pc 2001-4	8.93	6.45	128⅞	—	129⅞	116⅝
Funding 3½pc '99-4	4.10	5.31	85⅞xd	-⅛	86⅛	67⅞
Conversion 9½pc 2004	7.65	6.35	124¼	-⅛	125⅞	105⅞
Treas 6¾pc 2004	6.47	6.19	104⅛	-⅛	105⅛	97¼
6¾pc 2004 A (£50 Pd)	6.40	6.22	53⅞	-⅛	54⅞	52⅛
Conv 9½pc 2005	7.62	6.38	124⅞	-⅛	125⅞	105⅞
Treas 12½pc 2003-5	8.80	6.60	142¼	-⅛	143⅞	124⅛
7¾pc 2006‡‡	6.95	6.39	111⅛	-⅛	112⅞	94⅞
8pc 2002-6‡‡	7.23	6.35	110⅞	-⅛	111⅞	94⅞
Treas 11¾pc 2003-7	8.71	6.58	134⅞xd	-⅛	136⅛	118⅞
Treas 8½pc 2007‡‡	7.19	6.45	118⅛xd	-⅛	119⅞	97⅛
13½pc '04-8	8.99	6.63	150¼	-⅛	151⅞	131⅛
Over Fifteen Years						
Treas 8pc 2008‡‡	7.29	6.49	123⅞	-¼	124⅞	101¼
9pc 2008	6.99	6.50	114⅞	-⅛	115⅞	92⅛
Conv 9pc Ln 2011‡‡	7.18	6.55	125¼xd	-⅛	126⅞	100½
Treas 9pc 2012‡‡	7.14	6.54	126⅛xd	-⅛	127⅞	100⅞
Treas 5½pc 2008-12‡‡	5.95	6.18	92⅞	-⅛	94	70¼
Treas 8pc 2013‡‡	6.90	6.53	116	-¼	117¾	93⅞
7¾pc 2012-15‡‡	6.83	6.45	113⅞xd	-⅛	114¾	89⅞
Treas 8¾pc 2017‡‡	6.92	6.52	126⅞	-⅛	128⅞	97⅞
Exch 12pc '13-'17	7.63	6.72	157⅞	-⅛	160⅞	125⅞
Undated						
Consols 4pc	6.82	-	58⅝xd	—	60	43⅝
[illegible]						

Index-Linked Notes (b)	Yield (1)	Yield (2)	Price £	+ or –	1993/94 High	1993/94 Low
Treas. 2pc '94 (102.9)	-	-	136⅞	-⅛	136⅞	131⅝
2pc '96 (67.9)	1.14	2.06	203	+¼	204½	194⅞
4⅝pc '98‡‡ (135.6)	1.33	1.97	112⅛	+⅛	113⅛	105⅞
2½pc '01 (78.3)	2.21	2.57	175⅞	—	176⅞	159
2½pc '03 (78.8)	2.44	2.74	171⅞	—	173⅞	155
4⅜pc '04‡‡ (135.6)	2.46	2.74	117⅛	+⅛	118½	105½
2pc '06 (69.5)	2.63	2.75	182⅞xd	—	184⅞	159¼
2½pc '09 (78.8)	2.70	2.90	166⅞	-⅛	168⅞	144
2½pc '11 (74.6)	2.77	2.94	173⅞	-⅛	175⅞	148⅞
2½pc '13 (89.2)	2.80	2.98	144¼xd	-⅛	146¼	122⅛
2½pc '16 (81.6)	2.89	3.01	154⅞xd	-⅛	157⅛	130⅞
2½pc '20 (83.0)	2.90	3.03	150⅞	-⅛	152⅞	124⅞
2½pc '24‡‡ (97.7)	2.90	3.01	126⅞xd	-⅛	129⅛	102⅞
4⅛pc '30‡‡ (135.1)	2.91	3.03	126⅜xd	-⅛	128⅞	103⅛

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1993: 140.6 and for November 1993: 141.6.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
African Dev 11¼ 2010	7.91	6.88	140⅞	+⅛	142	115⅞
Asian Dev 10¼pc 2009	7.73	6.78	132⅞	+½	133⅝	108⅞
B'ham 11½pc 2012	8.24	7.55	139½	+4½	139½	114
Ireland Cap 8½pc '10	7.36	-	116½	—	120	95
9pc Cap 1996	8.74	-	103	—	116	97½
13pc '97-2	11.26	-	115½	—	130	110
Hydro Quebec 15pc 2011	8.22	7.77	168¼	+⅛	170⅛	139⅞
Leeds 13½pc 2006	9.08	-	149	+3¼	149	128
Liverpool 3½pc Irred.	7.87	-	44½	+1¼	44½	34
LCC 3pc '20 Aft.	7.50	-	40	+1	40	30½
[illegible]						

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on January 10

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101¼	101½	+⅛	6.31
AlbertaProvince 9⅜ 95	600	108⅝	109	+¼	4.26
Austria 8½ 00	400	114½	114⅞	+⅛	5.60
Bank of Tokyo 8⅜ 96	100	107¼	107⅞	+⅛	4.84
Belgium 9⅝ 98	250	116⅝	117	+¼	5.35
BFCE 7¾ 97	150	108⅛	108⅝	+⅛	4.90
British Gas 0 21	1500	13⅛	13½		7.57
Canada 9 96	1000	109⅛	109⅜	+⅛	4.41
CCCE 9¼ 95	300	106⅛	106½	+¼	3.66
Cheung Kong Fin 5½ 98	500	97	97½	-⅛	6.24
Council Europe 8 98	100	107¼	108¼	+¼	4.71
Credit Foncier 9½ 99	300	117½	118	+¼	5.48
Denmark 9¼ 95	1571	106	106¼	+⅛	3.99
ECSC 8¼ 96	193	109⅛	109⅝	+¼	4.79
EEC 8¼ 96	100	108	108¼	+⅛	4.69
EIB 7¾ 96	250	107⅛	107⅜	+⅛	4.84
EIB 9¼ 97	1000	114⅛	114½	+⅛	5.11
Elec de France 9 98	200	113⅝	114½	+⅛	5.27
Eurofima 9¼ 98	100	109½	109⅞	+⅛	4.54
Ex-Im Bank Japan 8 02	500	112⅜	112⅝	+⅛	6.05
Export Dev Corp 9½ 98	150	116	116½	+⅛	5.39
Finland 7⅞ 97	200	107⅜	108		5.19
Finnish Export 9⅜ 95	200	108⅝	108⅞	+⅛	4.26
Ford Motor Credit 6¼ 98	1500	102⅞	103¼	+¼	5.53
Gen Elec Capital 9⅜ 95	300	110½	110⅞	+⅛	4.65
GMAC 9⅛ 98	200	108⅛	108⅝	+⅛	5.07
Ind Bk Japan Fin 7⅞ 97	200	107½	108¼		5.30
Inter Amer Dev 7⅝ 98	200	107⅜	107¾	+¼	4.61
Italy 6⅞ 23	3500	96	96¼	+⅛	7.33
Japan Dev Bk 8⅜ 01	500	114⅜	114¾	+¼	5.84
Kansai Elec Pwr 10 96	350	110⅞	111¼		4.71
LTCB Fin 8 97	200	107¼	107⅞	+¼	5.33
Matsushita Elec 7¼ 02	1000	106⅝	106⅞	+½	6.34
Nippon Cred Bk 10⅜ 95	150	107⅛	108⅛		4.83
Nippon Tel Tel 9⅜ 95	200	105⅞	106	-⅛	4.23
Norway 7¼ 97	1000	107	107¼	+⅛	4.87
Ontario 7⅜ 03	3000	107⅛	107½	+⅛	6.43
Oster Kontrollbank 8½ 01	200	115¼	115⅝	+½	5.83
Petro-Canada 7¼ 96	200	105⅜	105⅞		4.76
Portugal 5¾ 03	1000	96⅞	97⅜	+¼	6.28
Quebec Hydro 9¾ 98	150	116	116⅝	+⅛	5.77
Quebec Prov 9 98	200	112⅜	113	+¼	5.63
Sainsbury 9⅛ 98	150	110⅛	110½		6.04
SAS 10 99	200	113½	114¼	-⅛	6.79
SBAB 9½ 95	500	106⅞	107¼	-¼	4.44
SNCF 9½ 98	150	116⅛	116⅝	+⅛	5.38
Spain 6½ 99	1500	104¼	104⅝	+⅛	5.60
State Bk NSW 8½ 98	200	108¼	108¾	+¼	4.86
Sweden 5½ 95	2000	102⅛	102½		4.30
Swedish Export 8⅜ 98	700	107⅞	108¼	+⅛	4.59
Tokyo Elec Power 8¾ 96	300	109½	110	+⅛	4.79
Tokyo Metropolis 8¼ 96	200	109⅛	109½	+¼	4.71
Toyota Motor 5⅝ 98	1500	101¼	101½	+⅛	5.28
United Kingdom 7¼ 02	3000	108¼	108⅝	+⅛	6.02
World Bank 8⅜ 99	1500	114½	114⅞	+¼	5.47
World Bank 8¾ 97	1500	111¼	112	+⅛	4.74
DEUTSCHE MARK STRAIGHTS					
Austria 5⅞ 97	500	102¼	102¾		5.08
Belgium 7¾ 02	500	110	110⅜	-¼	6.15
Credit Foncier 7¼ 03	2000	107⅜	107⅝		6.17
Denmark 6⅛ 98	2000	103⅝	103¾	+⅛	5.16
Deutsche Finance 7½ 95	1000	102⅛	102½	-⅛	5.09
ECSC 8⅜ 96	700	109½	109⅞		5.08
EEC 6½ 00	2900	105½	105⅝	+⅛	5.42
EIB 7½ 99	400	111⅝	112	+¼	5.17
Finland 7½ 00	3000	108⅝	108¾	+¼	5.77
Ireland 7¾ 02	600	109⅝	110¼		6.28
Italy 7¼ 98	5000	108⅝	108¾	+⅛	5.39
Spain 7¼ 03	4000	107⅞	108	+⅛	6.10
Sweden 8 97	2500	109¼	109½	+⅛	5.26
Tokyo Elec Power 7⅝ 02	1000	108⅜	109⅞		6.21

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7⅛ 97	5500	107	107		5.05
Volkswagen Intl Fin 7 03	1000	103½	104	-⅛	6.48
World Bank 0 15	2000	29½	29¾	+1	5.72
World Bank 5¾ 98	300	103⅜	103⅝		4.09
World Bank 8¾ 00	1250	117¾	118⅛	+⅛	5.34
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	115¼	115½		4.67
Austria 4½ 00	1000	104⅛	104¼		3.73
Council Europe 4¾ 98	250	103½	104	-¼	3.61
EIB 6¾ 04	300	114½	115		4.97
Elec de France 7¼ 06	100	117	117½		5.30
Finland 7¼ 99	300	114½	114¾		4.34
General Motors 7½ 95	100	103	103½	-½	4.91
Hyundai Motor Fin 8½ 97	100	109½	110½		5.55
Iceland 7⅜ 00	100	115¾	116¾	-¼	4.78
Kobe 6⅜ 01	240	112¼			4.43
Ontario 6¼ 03	400	110¾	111¼		4.76
Quebec Hydro 5 08	100	100	100¾		5.00
SNCF 7 04	450	119¼	119¾	-¼	4.66
World Bank 5 03	150	103	103½		4.60
World Bank 7 01	600	116½	116⅞		4.27
YEN STRAIGHTS					
Belgium 5 99	75000	110⅜	110⅝	-⅛	3.06
Denmark 7 95	40000	105¼	105⅜	-⅛	2.04
EIB 6⅝ 00	100000	119⅝	119⅞	-⅛	3.09
Elec de France 5⅝ 96	20000	108¼	108½	-⅛	2.34
Finland 6¾ 96	50000	109⅝	109⅞	-⅛	2.23
Inter Amer Dev 7¼ 00	30000	123¾	124	-⅛	3.07
Japan Dev Bk 5 99	100000	111½	111⅝	-⅛	2.80
Japan Dev Bk 6½ 01	120000	120⅞	121	-¼	3.37
Nippon Tel Tel 5⅞ 96	50000	109⅛	109⅜	-⅛	2.22
Norway 5⅛ 95	50000	103⅝	103⅞		2.10
SNCF 6¾ 00	30000	120¼	120½		3.08
Sweden 5⅜ 95	20000	106	106½		2.01
World Bank 6¾ 00	50000	120⅜	120⅝	-¼	3.06
OTHER STRAIGHTS					
Arbed 7½ 95 LFr	600	99½	100½	-⅝	7.81
Gentinance Lux 9⅛ 99 LFr	1000	107½	109½		7.34
World Bank 8 99 LFr	1000	102	103		6.99
Bank Voor Ned Gem 7⅝ 02 Fl	1000	109½	110		6.21
Energie Beheer 8¾ 98 Fl	500	112⅞	113⅜		5.63
AlbertaProvince 10⅝ 98 C$	500	110⅜	111¼	+⅛	5.07
Bell Canada 10⅝ 99 C$	150	117	117⅝	+⅛	6.81
British Columbia 10 96 C$	500	110½	111	+⅛	6.20
EIB 10⅛ 98 C$	130	114⅞	115⅝		5.96
Elec de France 9¾ 99 C$	275	115¼	115¾	+⅛	6.44
Gen Elec Capital 10 96 C$	300	109⅞	110¼	-⅛	5.50
KfW Int Fin 10 01 C$	400	117½	118	+⅛	6.82
Nippon Tel Tel 10¼ 99 C$	200	117¼	117¾	+⅛	6.55
Ontario 8 03 C$	1500	108⅛	108⅜	+½	7.21
Ontario Hydro 10⅞ 99 C$	500	119	119⅜	+¼	6.46
Oster Kontrollbank 10¼ 99 C$	150	117⅛	117¾	+¼	6.46
Quebec Prov 10½ 98 C$	200	116¾	117⅛	+½	6.40
Belgium 9⅛ 96 Ecu	1250	107⅜	107⅝	-⅛	5.44
Council Europe 9 01 Ecu	1100	118⅝	118⅞	+⅛	5.95
Credit Lyonnais 9 98 Ecu	125	106⅞	107¼	-¼	6.97
EIB 10 97 Ecu	1125	112¾	113⅛	-⅛	6.41
Ferro del Stat 10⅛ 98 Ecu	500	114⅝	115⅛	-⅛	5.91
Italy 10¾ 00 Ecu	1000	123¾	124⅛	+⅛	6.07
Spain 9 96 Ecu	1000	107⅝	107⅞	-⅛	5.45
United Kingdom 9⅛ 01 Ecu	2750	118⅞	119¼	+⅛	5.81
AIDC 10 99 A$	100	114	114½	+¼	6.82
BP America 12¼ 96 A$	100	111⅞	112⅜		6.17
Comm Bk Australia 13¾ 99 A$	100	131¾	132¼	+¼	6.82
Eksportfinans 12⅜ 95 A$	75	108⅛	109		5.81
McDonalds Canada 16 95 A$	100	112¼	112¾	-⅛	5.86
NSW Treasury Zero 0 20 A$	1000	14⅝	15	+⅛	7.38
R & I Bank 7¾ 03 A$	125	103¼	103¾	+½	7.25
Sth Aust Govt Fin 9 02 A$	150	110⅞	111⅜	+⅛	7.26
Unilever Australia 12 98 A$	150	119¼	119¾	+⅛	6.63

	Issued	Bid	Offer	Chg.	Yield
Alliance Leics 11⅜ 97 £	100	115¾	116¼	+⅛	5.99
British Gas 12¾ 95 £	300	107⅜	107⅞	-¼	5.57
British Land 12½ 16 £	150				
EIB 10 97 £	637	111⅞	112¼		5.66
Halifax 10⅜ 97 £	100	112⅝	113⅛		5.85
Hanson 10⅜ 97 £	500	112⅞	113⅜	-⅛	6.41
HSBC Holdings 11.69 02 £	153	125⅝	126¼	+⅛	7.51
Italy 10½ 14 £	400	130½	130⅞	+¼	7.52
Japan Dev Bk 7 00 £	200	105¼	105⅝	+¼	6.03
Land Secs 9½ 07 £	200	116¼	116½	-¼	7.52
Ontario 11⅛ 01 £	100	123⅝	124⅛		6.81
Powergen 8⅞ 03 £	250	113¾	114⅛		6.81
Severn Trent 11½ 99 £	150	122	122½		6.59
Tokyo Elec Power 11 01 £	150	125¼	125⅝	+⅛	6.57
World Bank 11¼ 95 £	100	107⅜	107⅞		5.38
Abbey National 0 96 NZ$	100	85	86		8.13
TCNZ Fin 9¼ 02 NZ$	75	115⅞	116⅝	-⅝	6.72
CEPME 10 95 FFr	2000	108	108⅜		6.58
Elec de France 8¾ 22 FFr	3000	126⅞	127⅜	+⅛	6.82
SNCF 9¼ 97 FFr	4000	111⅝	111⅞		5.26

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Banco Roma 0 99	200	99.57	99.75	3.3750
Belgium 1/16 97 DM	500	99.96	100.06	6.4375
BFCE -0.02 98	350	99.83	100.05	3.4175
Britannia 0.10 96 £	150	99.91	100.01	5.7875
CCCE 0 06 Ecu	200	98.72	98.95	6.6406
Citicorp Bkg ¼ 98	400	100.00	100.42	5.2500
Credit Lyonnais ⅛ 00	300	100.01	100.51	5.0000
Denmark -⅛ 96	1000	99.58	99.89	3.1875
Dresdner Finance 1/16 98 DM	1000	99.98	100.08	6.5078
Elec de France ⅛ 99	400			5.2500
Ferro del Stat 0.10 97	420	99.76	100.02	3.4125
Finland 0 97	1000	99.98	100.09	3.5000
Halifax BS 1/16 95 £	350	99.95	100.02	5.8750
Ireland 0 98	300	99.76	99.90	3.4400
Italy ¼ 98	2000	100.48	100.57	3.5625
Leeds Permanent ⅛ 96 £	200	99.96	100.06	5.6250
Lloyds Bank Perp S 0.10	600	83.88	85.08	3.5375
Malaysia 1/16 05	650	100.22	100.58	5.2500
Nationwide 0.08 96 £	300	99.84	99.97	5.5488
New Zealand ⅛ 96	250	99.96	100.13	3.4590
Renfe 0 98	500	99.38	99.60	3.3750
Societe Generale 0 96	300	99.61	99.77	3.2612
Staatsbank Berlin -0.05 98 DM	6000	99.93	100.00	5.8125
State Bk Victoria 0.05 99	125	99.67	99.92	3.5344
Sweden 0 98	1500	100.22	100.26	3.5000
United Kingdom -⅛ 96	4000	99.85	99.91	3.1250

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	100⅞	101⅞	+87.47
Chubb Capital 6 98	250	88	108⅛	107¼	+18.34
Eastman Kodak 6⅜ 01	300	41.52	112	113	+0.86
Gold Kalgoorlie 7½ 00	65	1.0554	121	122¼	+20.12
Hanson 9½ 06 £	500	2.5875	124½	125⅛	+16.40
Hawley Pref 6 02	400	19.1	134¼	135¼	
Land Secs 6¾ 02 £	84	6.72	113⅞	114⅞	-0.62
Lasmo 7¾ 05 £	90	5.64	93	94⅛	
Mitsui Bank 2⅝ 03	200	2332.6	94⅛	95⅛	+25.92
Mount Isa Fin 6½ 97	100	2.283	102⅞	103⅞	+34.07
Natl Power 6¼ 08 £	250	4.33	128⅛	128⅞	+10.65
Ogden 6 02	85	39.077	95⅛	96⅛	+65.21
Smith Nephew 4 02 £	80	1.775	132½	133½	+60.26
Sumitomo Bank 3¾ 04	300	3606.9	85⅞	86⅞	+37.82
Sun Alliance 7¼ 08 £	155	3.9	121⅞	122⅞	+14.53
Tesco Capital 9 05 £	200	2.61	126½	126⅞	+34.82
Texas Instruments 2¾ 02	300	82⅞	101½	102⅝	+25.02

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

BAT to merge fund management activities

By Norma Cohen, Investments Correspondent

BAT Industries said yesterday that it was merging the fund management operations of its two insurance companies, Eagle Star and Allied Dunbar, into a new company reflecting what it sees as fundamental changes in the financial services industry.

Mr George Greener, chief executive of BAT's UK Financial Services, said: "We believe fundamental change has already taken place in the financial services industry."

One of the objectives of the new company, to be known as Threadneedle Asset Management, will be to increase BAT's asset management for third parties, particularly pension funds.

"I believe the days of distribution-led business are finished. We want to improve our image in the marketplace and improve our performance," Mr Greener said. "We need to be transparent to independent financial advisers and to external clients."

New rules taking effect in January 1995 will require life insurance companies to tell prospective customers much more about the charges for each policy and how much each sales agent is paid in commission.

Mr Greener believed that superior investment performance would do much more to enhance sales than the expansion of the sales force which has been the traditional route through which life insurers have gained market share.

BAT intends to retain its two insurance brands and will not seek to merge Allied Dunbar with Eagle Star.

There will also be a separate unit to manage property investments.

Mr Greener also said that in BAT's repositioning effort, it was also looking at acquisitions. He declined to be drawn on the type of acquisition except to say: "I have always been interested in the concept of bancassurance."

Mr Greener said he does not expect any significant redundancies to result from the merger. However, rationalisation of back office activities could pare expenses by 10 per cent to 20 per cent over the medium term.

The two companies between them have 60 fund managers and broadly similar investment approaches.

Tiphook disposal may raise over £700m

By Andrew Bolger

Tiphook, the transport leasing group, is expected to announce soon the disposal of its container business to Transamerica, the US financial services group, for a figure in excess of £700m.

Shares in Tiphook yesterday fell 6p to 72p after weekend reports that the groups had yet to settle details of the disposal, which was first announced in November.

The initial purchase price announced was £830m, a much higher figure than analysts had believed to be obtainable. The price has been reduced following due diligence by Transamerica, which is now complete, but a figure over £700m would still substantially reduce Tiphook's borrowings of about £1.2bn.

Tiphook has said it intends to retain the group's other activities – including its fleet of 25,065 truck trailers, the biggest fleet in Europe – which it believes will be capable of servicing the remaining debt.

The publication of Tiphook's December capacity utilisation figures, due today will be delayed until the container disposal is complete. Shareholders will be given details of the group's structure and future trading strategies before the end of the month.

US behind rise at Ellis & Everard

By Peggy Hollinger

Ellis & Everard, the chemicals distributor, yesterday reversed the downward trend of recent years with a better than expected 31 per cent jump in interim pre-tax profits from £6.5m to £8.5m.

From earnings per share for the six months to October 31 ahead by 31 per cent to 7.2p (5.5p) the interim dividend is being raised by 9 per cent to 2.45p (2.25p).

The profits rise was fuelled by a stronger dollar and an underlying recovery in volume and margins, particularly in the US. Group turnover was 11 per cent higher at £211.5m (£190.1m).

Mr Peter Wood, chief executive, said Ellis, which has suffered in the last two years due to recession and unsuccessful diversification, had spent the last 12 months sorting out "a lot of problem areas".

These included the previously lossmaking Spanish operation which had been merged with a separate company in March, leaving Ellis with an 11 per cent stake, and the pools chemicals distributor, acquired in 1990.

The pools business suffered a £100,000 loss, but Mr Wood said rationalisation left him hopeful of an improvement next year. The Spanish activity, now included as an associate, contributed profits of £100,000.

The good news came from the US, where operating profits rose by 27 per cent in dollar terms to $7.1m ($5.6m) on sales 3 per cent ahead to $182.9m ($177.5m). Exchange rates contributed £500,000 to pre-tax profits.

Mr Wood said the US businesses had benefited from improved buying power and rationalisation. This helped overcome weak chemical prices, down by about 8 per cent. In the UK operating profits were 13 per cent higher to £5.3m (£4.7m) on sales 6.5 per cent up to £77.1m (£72.4m).

Ellis also announced the £1.2m acquisition of Ronmar Plastics, a distributor of polymers for Du Pont. Mr Wood said that the purchase, along with two long-term distribution and packaging contracts also announced yesterday, would be "producing meaningful numbers" by 1994-95.

● COMMENT

The shares rose just 4p on the results to 241p, reflecting the company's determination to rein in any over-excitement. Mr Wood warned that while the second half gave no cause for concern so far, the first half's success did not imply any departure from the normal trading pattern of 55 per cent of the year's profits in the first six months and 45 per cent in the second. Nevertheless these were good results, and the deals announced yesterday show Ellis is following a sensible longer-term strategy. Full-year forecasts are for between £15.5m and £16m. The prospective p/e of 18 leaves Ellis with events looking up in the short term. However, longer-term punters are likely to be tempted by the yield and a substantially more attractive outlook next year.

Holders of QMH debentures set up steering group

By Maggie Urry

Holders of Queens Moat Houses' two debenture stocks yesterday formed a steering committee to negotiate with the hotel company over terms of its refinancing.

At a meeting there was a unanimous vote in favour of the move, which was described as helpful by the company, its advisers and the trustee to the stocks.

QMH is in talks with its bankers and other lenders over a £1.3bn refinancing. The debenture stocks are secured on assets but last November holders agreed to waive their right to enforce their security. The value of the security has fallen to below the nominal value of the two stocks, which total £215m.

Yesterday, holders representing 81.77 per cent of the two stocks voted either at the meeting or by proxy. The committee includes Legal & General, Sun Life Assurance, Standard Life, Norwich Union, Equitable Life and Eagle Star Life. These six investors hold 53 per cent of the two stocks.

New betting head is appointed to Ladbroke

By Michael Skapinker, Leisure Industries Correspondent

Ladbroke yesterday unveiled the first of what are expected to be several senior management appointments when it announced that Mr Mike Smith, a director of Bowater, is to head its betting and gaming division.

Mr Smith, 47, will also sit on the Ladbroke main board. He is expected to take up his appointment at the end of May.

Ladbroke said last Friday that Mr Cyril Stein, who headed the group for nearly four decades, would not stay on as a non-executive director.

The announcement was seen as a attempt to ensure a fresh start for Mr John Jackson and Mr Peter George, who took over as chairman and chief executive respectively at the beginning of the month.

Ladbroke is also expected to announce a new chief executive for its Hilton International hotels subsidiary. The group, whose other interests are do-it-yourself retail outlets and property, said last year that it was talking to Mr Michael Hirst, the current head of Hilton, about his future. These discussions were still going on.

Mr Smith held senior positions in the car industry before moving to Grand Metropolitan in 1984.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberdeen Trust ....fin	1	Mar 2	0.5	1.5	1.5
Barr (AG) ....fin	4.75	Apr 6	4.75	6.5	6.5
Ellis & Everard ....int	2.45	Mar 18	2.25	-	7.05
French (Thomas) ....fin	2.175	Mar 18	2.175	3.625	3.625
Merchants Trust ....int	2.85☆	Feb 25	2.65	-	10.6
Nobo ....int	2†	Mar 14	1.5	-	4.8
Tomkins ....int	2.08	Apr 8	1.805	-	6.35
Treatt § ....fin	2.9	Apr 15	2.6	4	3.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Third interim making 8.15p (7.95p) to date.

Thorn EMI sells Electron

As part of its continuing move to concentrate on its core music and rentals divisions, Thorn EMI has sold its Electron Tubes offshoot to its management for £6.6m cash.

The management, led by Mr Jan Frederiksen, a director and general manager, obtained the company in the face of competition from trade buyers.

It raised a total of £11.4m for the purchase and working capital with 3i underwriting £4.2m of equity and mezzanine capital and Midland Bank providing £3m of term debt plus working capital facilities.

AG Barr declines by 32% to £4.1m in trade 'horror story'

By Peter Pearse

Profits at AG Barr, the Glasgow-based soft drinks company which manufactures Irn-Bru and Tizer, fell 32 per cent before tax in the 52 weeks to October 30.

The decline to £4.07m (£5.97m) was struck on turnover down at £87.9m (£94.7m). The shares slipped 5p to 305p.

Mr Robin Barr, chairman, said that trading in the year had been "extremely disappointing". He said that the summer had been "one of the worst for many years" with sales in the first week of June down 44 per cent on last time.

He also blamed the declines in profits and turnover on increases in sugar prices since the UK left the ERM – they were up 18 per cent in February, falling to 12 per cent in August – and a "softening of prices" in the group's non-branded products. While a branded two litre bottle cost 99p, an own-label product has often been reduced from 59p to 45p, and the prices of commodity tertiary brands have fallen to as little as 26p for two litres.

In addition, last time's figures were for 53 weeks and included an exceptional profit of £409,000 from the sale of the stake in Taveners, the sugar confectionery maker.

However, Mr Barr said he was pleased with "the way we moved within the trade, even if the trade itself was a horror story".

Sales of Barr's brands, which account for about 90 per cent of group turnover, rose 4 per cent, helped by increased marketing budgets for Irn-Bru and Tizer. In the other flavours segment of the UK carbonates market Irn-Bru lifted its market share from 7.9 to 9.2 per cent.

The interest bill was sharply reduced to £591,000 (£1.07m) and Mr Barr expects that to fall further in the current year, in spite of anticipated capital expenditure costs of between £4.5m and £5m, against £4.1m in the period under review.

The final dividend is held at 4.75p for an unchanged 6.5p total, payable from earnings down at 15.51p (21.57p) per share.

NPI with-profits payouts reduced

By Bethan Hutton

NPI, the mutual insurer specialising in pensions, has cut payouts on with-profits policies by an average of 5 per cent, though payouts on some longer-term investments have increased.

The payout on a regular premium pension for a man paying £200 a month, and retiring after 10 years at age 65 is down 6.9 per cent, while the 25-year payout is down 5.8 per cent.

With single premium policies, the payout on £10,000 after 10 years is down 10 per cent at £35,508, while after 25 years it is up 2 per cent at £169,366.

W Midlands Travel in slow lane

By Paul Cheeseright

West Midlands Travel, the largest bus operator in the Midlands which was bought by its employees from the local authorities in December 1991, made pre-tax profits of £9.6m for the year to March 1993 on turnover of £150m.

The results, announced to the employees last weekend, were little changed from the preceding year – eight months of which were in public ownership – when pre-tax profits were £9.8m on turnover of £149m.

Mr Don Colston, chief executive, expects the pre-tax figure for the year to March 1994 to be little changed again at around £10m.

The 1991 buyout, which cost £72m, was financed solely by debt.

Half of this sum has now been repaid, Mr Colston said.

Debt repayments have been absorbing cashflow and he noted that funds would have to be found "in the not too distant future" for investment in the bus fleet.

Barrow Hepburn at £7.3m

Barrow Hepburn, a wholly-owned subsidiary of BTP, the specialist chemical company, returned pre-tax profits of £7.32m for the half year ended September 30.

That compared with £4.52m previously and was struck from a turnover of £90.56m (£64.6m). Acquisitions added £10m to turnover and £1.53m to operating profits. Earnings amounted to 11.88p (7.37p).

The results were included in BTP's results for the half year to September 30.

COMPANY NEWS: UK

Worldwide profits performance more than doubles to $1.2bn

Hewlett-Packard UK at £83m

By Alan Cane

The UK subsidiary of Hewlett-Packard, the US-based computers and electronics group, outperformed its parent last year with a £90m turnround in pre-tax profits and a 43 per cent increase in turnover to more than £1bn.

Worldwide, HP reported profits of $1.2bn (£810m) in 1993, up from $549m the previous year. Revenues rose 23 per cent to $20.3bn, making it the second largest computer manufacturer in the US and easily the most profitable.

The UK subsidiary made a pre-tax profit of £82.6m compared with a £7.4m loss the previous year. Mr John Golding, UK managing director, played down the profit improvement pointing out that the figures reflected internal accounting policy rather than trading performance.

He attached more importance to the growth in overall turnover, which reached £1.02bn, and to a 50 per cent increase in exports to £324m.

Mr Golding said the company's performance was the result of quality programmes, eliminating waste, consolidating operations and keeping expenses under control.

During the year, HP bought Colorado Memory Systems (Europe) and BT&D Technologies, strengthening its activities in computer mass storage and in telecommunications.

HP seems to have proved itself better able to ride out the recession and turbulence in the global computer industry than other large computer manufacturers.

It is, according to Mr Golding, profitable in all its product sectors including computer systems, printers, calculators and electronic instruments. It is strengthening its performance in personal computers and is now the fourth largest pc vendor in Europe.

Thomas French pushes ahead to over £1m

By John Murrell

The integration of British Tapes together with the disposal of lossmaker Kaz Krafts enabled Thomas French & Sons to record a rise in pre-tax profits from £110,000 to £1.05m for the year to October 2.

The figure took account of abortive acquisition costs of £257,000. Turnover of continuing businesses rose from £12.84m to £14.61m – the Manchester-based group makes curtain tapes and window accessories.

Earnings worked through at 4.67p (0.19p). A proposed final dividend of 2.175p makes a maintained 3.625p total.

Year-end gearing was reduced from 40 per cent to 23 per cent.

Mr Michael Soapes, formerly managing director of Coral Holdings, has been appointed chief executive. The move splits the role of Mr Jeremy French, who continues as executive chairman.

Mr French said the sale by Marling Industries in November of a 22.8 per cent stake to institutions should help share liquidity.

NEWS DIGEST

Nobo more than doubled at £965,000

Nobo Group, the office and business products supplier, reported more than doubled pre-tax profits for the six months to October 31 in "difficult trading conditions".

Pre-tax profits were £965,000 (£403,000) on turnover of £10.6m (£10.2m). The improvement was boosted by the restating of the comparable figure for FRS 3. Turnover, adjusted for the effects of the sale of Budgie Office Products and the purchase of Elite Optics, a maker of overhead projectors, advanced by 5 per cent.

Earnings per share came out at 5.55p (2.05p) and the interim dividend is raised from 1.5p to 2p.

Associated Nursing £5m joint venture

Associated Nursing Services is setting up a £5m joint venture with Barclays de Zoete Wedd, Ebbgate Nursing Homes (London), to create 150 new long term care beds in the London area, to come into operation in 1995.

The company currently operates over 1300 beds in 25 homes and plans to have 2,200 beds in operation by March 1995.

Ebbgate is ANS' third joint venture with BZW.

Dragon Oil back in the black

Dragon Oil, the Dublin-based mineral prospecting and oil and gas exploration group, turned round from a $313,000 loss to an after-tax profit of $506,000 (£342,000) in the year to October 31.

The company said the acquisition of Kirkland in May had created an international exploration and production company with a strong focus on the Far East. Production volumes had averaged 1,480 barrels of oil equivalent per day since the Kirkland purchase.

The raising of $9.8m of equity capital had been completed in June to support an international exploration programme including drilling at least 7 wells over the next year.

Jersey Electricity shows downturn

Despite an increase in turnover from £36.9m to £37.9m, Jersey Electricity suffered a fall in pre-tax profits from £7.72m to £6.02m for the year ended October 3 1993.

After tax of £488,000 against £1.32m, earnings per share were 361p (418p) while the dividend is lifted from a gross 36p to 37p with a final payment of 24p.

Molyneux £3.8m building buy

Molyneux Estates has acquired the freehold office building, Wentworth House, in Eastern Avenue, Gants Hill, Essex, for £3.8m plus costs.

The building is a 55,000 sq ft office block currently producing an annual rental income of some £480,000, and is let principally to the government which occupies some 38,000 sq ft on 15 and 20 year leases.

Following the acquisition, Molyneux anticipates that its contracted net rent receivable will rise to £5.5m per annum from May.

Bullers may restructure

Bullers, the giftware, fine art and decorative products group, is in talks which, if successful, would result in a capital restructure, a significant acquisition and a recapitalisation by the company.

Directors said a further announcement would be made in due course.

£3m wax buy for Burmah Castrol

Burmah Castrol has acquired Kerax Holdings, a blender and marketer of speciality waxes, for £3m.

Kerax will join Dussek Campbell, Burmah's existing wax activity. The move is part of the company's plans to expand in the market.

Treatt shares rise 13p on back of profits jump

By John Murrell

Shares of Treatt, the USM-traded supplier, blender and distiller of essential oils and aromatic chemicals, jumped 13p to 180p yesterday on news of a 31 per cent increase in pre-tax profits to £1.66m for the year ended September 30 1993.

The improvement, from last time's £1.27m, was scored on a turnover just 2 per cent ahead at £15.4m (£15.1m). Net margins, however, jumped from 8.4 per cent to 10.8 per cent.

Earnings rose to 12.27p (9.37p) and a proposed final dividend of 2.9p lifts the total dividend to 4p (3.8p).

Mr Geoffrey Bovill, chairman, said the US offshoot, Florida Treatt, made its first operating profit and was proving to be an important outlet for the sale of RC Treatt's products, particularly its specialities and natural chemicals.

Florida Treatt was formed in 1990 to manufacture natural orange juice aromas. The main products are used to improve the aroma of concentrated orange juice which loses some flavour components during production. Its turnover rose by about 50 per cent over the 1992-93 year and the customer base substantially expanded.

Overall, Suffolk-based Treatt has a basic range of over 100 different essential oils. Its customers include flavour and fragrance creators as well as manufacturers of soft drinks, food, confectionery, pharmaceuticals, soap and detergents.

A substantial potion of turnover consists of export sales.

Sedgwick purchases completed

Sedgwick Group has completed its acquisition of two smaller European brokers. Sedgwick will pay NK196m (£17.8m) for Arvid Bergvall, a Scandinavian marine insurance broker, and DM 12.85m (£5.1m) for MVM Group, a German broker.

Branded: Peter Hopkins, left, and Jonathan Russell

Management deal secures independence of Epicure

Epicure, the 100-year-old grocery brand, will remain part of an independent company following a £10.5m deal announced yesterday, writes Nigel Clark

Petty Wood, the family-owned food distributor which owns the brand, is being bought by its management.

Mr Jonathan Russell of 3i, which is backing the deal, said: "This is a classic case of resolving a succession issue within an old established family business by uniting ownership with management."

The company was founded in 1816 and the shares have passed through several generations. In 1989 a new management team came in, since when there has been little family involvement in the day-to-day activities.

Finance for the deal, which includes working capital, is provided by a syndicate led by 3i and including Lloyds Development Capital and NatWest Ventures.

Mr Peter Hopkins, managing director, said the buy-out would enable the company's expansion programme to continue. "The sense of family unity has been a great asset to the company in the past but it is now time to move Petty Wood forward."

Over the last three years the company, based in Andover, Hampshire, has expanded to bring in other leading brands as well as Epicure. These include Melitta Coffee, Jordans cereals and Baxters of Speyside.

It supplies prestige outlets such as Fortnum & Mason and Harrods as well as independent retailers. Turnover for 1993 is expected to be more than £30m.

Board meetings

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barbour Index, Fleming Geared Inc. & Assets Trust, Jacques Vert, VHE.
Finals- Dewhurst, Howtn, Watson & Philip

FUTURE DATES

Interims-	
Abtrust Scotland	Jan. 17
Black (P)	Feb 4
British Bloodstock	Jan. 21
MFI	Jan. 27
MITIE	Jan. 24
Northern Ind. Imp. Trust	Jan. 17
Photo-Me	Jan. 18
Real Time Control	Jan. 13
Shield	Jan. 21
Stanley Leisure	Jan. 18
Surrey	Jan. 13
YRM	Jan. 18
Finals-	
Alexanders	Jan. 18
Everards Brewery	Jan. 18
Ivory & Sime ISIS Trust	Jan. 25
Royal Insurance	Feb. 24
Sedgwick	Feb. 22
Selective Assets Trust	Jan. 21
Soundtracs	Jan. 17

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	85.0	100.8	95.3	101.4	103.3	118.5	99.9	97.5	103.8	103.8	107.5
1987	105.6	100.7	103.8	96.7	76.1	101.2	92.5	103.1	100.6	123.1	100.1	95.1	108.0	107.1	111.0
1988	109.9	103.2	106.9	99.1	71.1	102.2	92.3	107.8	98.2	131.0	101.4	96.2	113.0	106.9	110.8
1989	115.2	108.5	110.0	101.1	74.8	104.9	94.2	114.0	96.1	122.9	104.2	99.3	117.3	108.0	109.2
1990	121.5	113.8	113.8	104.3	72.7	106.2	95.7	120.1	98.2	108.9	107.0	101.0	123.8	110.3	110.9
1991	126.6	116.3	117.3	107.8	73.6	111.8	96.8	124.2	101.8	114.7	110.7	103.4	131.8	115.0	108.9
1992	130.4	117.7	120.2	108.1	73.6	113.9	95.8	125.6	111.1	116.5	115.1	104.8	138.6	121.5	110.7
4th qtr.1992	3.0	1.6	2.2	−0.8	75.3	0.9	−1.2	−0.1	10.4	119.9	3.7	0.5	n.a.	7.7	113.3
1st qtr.1993	3.2	2.0	2.8	−1.9	77.4	1.2	−1.1	−0.5	7.0	123.7	4.3	0.5	n.a.	8.6	113.4
2nd qtr.1993	3.2	2.0	2.5	−2.4	75.7	1.0	−1.4	0.7	5.3	132.5	4.2	−0.2	n.a.	5.2	111.6
3rd qtr.1993	2.7	0.8	2.5	−2.5	76.5	1.6	−1.8	0.4	4.7	139.7	4.2	−0.3	n.a.	1.6	112.0
January 1993	3.3	2.0	3.4	−1.8	77.6	1.0	−1.1	−3.6	10.1	119.7	4.4	0.8	-	11.5	113.6
February	3.2	2.0	2.5	−2.1	77.7	1.3	−1.0	1.3	7.3	124.2	4.2	0.5	-	11.5	113.5
March	3.1	2.0	2.5	−2.0	76.9	1.2	−1.2	1.0	3.6	127.0	4.2	0.3		5.9	113.0
April	3.2	2.5	2.5	−2.1	75.6	0.8	−1.3	2.0	5.4	129.6	4.3	0.1		7.5	112.6
May	3.2	2.1	2.5	−2.1	75.6	1.1	−1.5	2.3	8.1	131.7	4.2	−0.3		5.0	111.5
June	3.0	1.4	2.5	−2.9	76.0	1.0	−1.5	−0.9	4.5	136.3	4.2	−0.4		3.2	110.6
July	2.8	1.3	2.5	−2.4	77.5	1.6	−1.7	−1.2	5.4	137.5	4.3	−0.2		3.0	110.5
August	2.8	0.6	2.5	−2.4	76.4	2.0	−1.8	2.3	3.4	142.8	4.2	−0.3		0.1	112.1
September	2.7	0.5	2.6	−2.8	75.6	1.3	−2.0	1.5	5.4	138.7	4.0	−0.5		1.7	113.4
October	2.8	0.2	2.5	−3.1	76.0	1.2		0.6		137.4	3.9	−0.3			113.5
November	2.7	0.3	3.3	−3.5	76.4	0.9				137.6	3.6	−0.2			112.1
December						1.3									

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	103.4	106.1	100.2	104.8	102.7	101.3	103.4	104.3	107.7	104.5	94.2
1987	105.9	97.8	107.8	103.0	104.9	111.0	103.2	111.6	105.5	102.1	107.7	108.3	116.3	105.9	94.5
1988	108.8	102.8	111.1	104.0	102.9	116.5	106.8	118.4	109.7	100.6	113.0	113.2	126.2	108.9	102.4
1989	112.6	108.4	115.4	105.3	100.9	124.2	113.1	125.6	112.3	104.2	121.8	119.0	137.2	113.6	101.5
1990	116.5	107.1	120.6	109.5	103.8	131.8	117.8	134.7	118.9	106.1	133.3	126.3	150.1	123.2	102.5
1991	120.2	105.8	125.8	113.8	102.1	140.3	121.7	147.9	131.3	105.2	141.2	133.1	162.4	131.7	105.9
1992	123.0	104.0	130.3	115.8	105.2	147.7	124.0	155.9	136.8	101.2	146.4	137.2	173.1	133.8	102.7
4th qtr.1992	2.2	−1.5	n.a.	2.6	108.7	4.8	2.3	2.9	6.5	92.3	3.0	3.1	5.7	−0.5	92.7
1st qtr.1993	2.1	−2.3	n.a.	4.4	109.6	4.3	3.1	2.8	4.4	88.2	1.8	3.6	4.7	−2.7	92.3
2nd qtr.1993	2.0	−3.4	n.a.		109.4	4.1	3.9	3.1	3.1	87.8	1.3	4.0	5.0	−1.9	94.6
3rd qtr.1993	2.2	−3.4	n.a.		108.3	4.3	4.3	4.1		87.5	1.6	4.3	4.4	−0.6	96.5
1993 January	2.1	n.a.	–	n.a.	108.9	4.2	2.9	2.8	n.a.	88.2	1.7	3.6	4.9	−2.9	94.8
February	2.1	n.a.	–	n.a.	109.9	4.4	2.9	2.8	n.a.	86.4	1.8	3.6	5.1	−2.5	90.1
March	2.2	n.a.	3.4	n.a.	110.0	4.2	3.4	2.7	n.a.	84.3	1.9	3.7	4.2	−2.7	91.9
April	2.1	n.a.	-	n.a.	110.1	4.2	3.7	2.6	n.a.	85.0	1.3	4.0	5.3	−1.3	94.6
May	2.0	n.a.	-	n.a.	109.4	4.0	3.9	2.6	n.a.	89.0	1.3	4.0	4.8	−4.1	94.8
June	1.9	n.a.	2.6	n.a.	108.7	4.2	4.1	4.1	n.a.	89.6	1.2	4.0	4.9	−0.4	94.4
July	2.1	n.a.	–	n.a.	106.5	4.4	4.2	4.1	n.a.	88.3	1.4	4.2	5.0	−1.1	96.9
August	2.2	n.a.	–	n.a.	105.3	4.4	4.4	4.1	n.a.	87.5	1.7	4.3	3.6	−1.0	96.8
September	2.3	n.a.	2.3	n.a.	107.1	4.2	4.3	4.2	n.a.	86.5	1.8	4.3	4.5	0.2	96.0
October	2.2	n.a.		n.a.	107.0	4.3		3.9	n.a.	86.1	1.4	4.0	3.7	0.6	95.7
November	2.2	n.a.		n.a.	107.1	4.2			n.a.	85.1	1.4	3.6			96.5
December		n.a.		n.a.		4.0			n.a.						

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

Rising markets lift Aberdeen Trust to £3m

By James Buxton, Scottish Correspondent

Aberdeen Trust, the fast expanding fund management and accountancy services group, yesterday reported a 79 per cent increase in pre-tax profits to £3.1m for the year to September 30.

Turnover, arising from management fees on its many unit and investment trusts, and from accountancy services, was up 32 per cent to £14.7m (£11.1m).

The group, which was floated on the Stock Exchange in 1991, had £2.2bn under management on December 31 1993, spread across 14 investment trusts, 20 unit trusts, as well as institutional and private individuals' funds.

Most of the trusts carry the Abtrust label. The company specialises in east Asian stock markets and in smaller UK companies.

Mr Martin Gilbert, chief executive, said the improved profit was due partly to the fact that world stock markets had done well in 1993 and to success in raising new funds, while the group had reduced its operating costs during the year.

Additional funds worth £140m were committed to the group's investment trusts during the calendar year, representing 5 per cent of all funds raised for UK investment trusts during the year.

He believed the full benefits of reducing overheads and increasing funds under management would flow through in the current financial year.

Operating profits jumped from £2.2m to £4m but interest charges doubled to £1m as a result of a transaction in 1992 with Century Life.

A proposed final dividend of 1p makes an unchanged 1.5p total. Earnings per share were 61 per cent higher at 2.46p (1.53p) after allowing for reorganisation costs of £600,000 incurred in the first half of the year.

Europa merger delayed until after March 14

By Kenneth Gooding, Mining Correspondent

The three-way merger first proposed six months ago involving Europa Minerals, a small London-quoted finance house, and Burmine and Austmin Gold, two Australian companies with which it is already closely involved, will not be able to take place until after March 14.

Mount Edon Gold, another Australian group which has made a rival bid for Burmine, is appealing against a decision of the Australian Supreme Court and, consequently, the Australian Administrative Appeals Tribunal has ordered Burmine not to put any resolution to its shareholders to approve the three-way merger until after a hearing on that date.

Mount Edon is appealing against an ASC decision preventing Mount Edon from voting its 22.6 per cent stake in Burmine when the three-way merger comes up for shareholder approval.

Burmine, for its part, has also appealed against the ASC decision, claiming that the proposed merger should not be conditional on shareholder approval at all.

The Mount Edon offer for Burmine is due to expire on January 21. The contest is made even more complex by the fact that Mount Edon also has a 19.9 per cent shareholding in Europa while Europa already owns 38.5 per cent of Burmine and Austmin holds 19.8 per cent of Europa.

Henry Ansbacher, the UK merchant bank, owns 12.8 per cent of Europa.

Ashley Ashwood

Greg Hutchings: very excited and very optimistic about the future and sees above average growth

Tomkins pay-out rise 'bullish'

By Maggie Urry

Mr Greg Hutchings, chief executive of Tomkins, said yesterday he was "very excited and very optimistic for the future". He said the 15.2 per cent increase in the interim dividend was "very bullish". He predicted the group would continue to generate earnings and dividend growth above the average for the stockmarket.

Mr Hutchings said Tomkins, which acquired Ranks Hovis McDougall, the food group, in December for £990.5m, would not rewrite its 10-year-old mission statement just because it was out of fashion with the stockmarket. The integration of RHM was going to schedule.

At the half year end net cash was £170m, which, Mr Hutchings said, provided the resources to finance recovery, although at present he could see "very few signs of recovery in the UK and continental Europe".

£320m raised by Kleinwort's European Privatisation Trust

By Bethan Hutton

Kleinwort Benson's European Privatisation Investment Trust has raised about £320m from institutions during the preplacement period, making it likely to be the second largest UK investment trust launch ever, and the largest trust in Kleinwort's stable.

The public offer period, which starts today and closes on February 2, could take the fund up to a total of as much as £400m.

Kleinwort originally announced that the fund aimed to raise £40m.

The largest investment trust launch was the Mercury World Mining Trust last November, raising a total of £426m.

The offer price for EPIT is 100p, with 50 per cent due immediately and the remainder six months later, to allow staggered investment of the funds. There will be one warrant attached to every five shares, and the minimum investment is £2,000.

The trust will initially buy shares in companies privatised within the last five years, following the principle that most efficiency gains are realised within five years of privatisation. These will be sold, or money borrowed, to participate in new privatisation issues as they come up.

Up to 20 per cent of the fund will be invested in former Warsaw pact countries, and up to 20 per cent in the UK. But the main emphasis will be on European Union member countries apart from the UK. France, Italy and Spain all have large privatisation programmes planned.

Mercury Asset Management is launching a similar European privatisation trust, but with a larger UK content.

Investment trusts provide a simple way for individuals to invest in privatisations outside the UK.

THE JAPANESE WARRANT FUND
Société Anonyme d'Investissement
45, rue des Scillas
L-2529 Howald
Grand Duchy of Luxembourg

NOTICE is hereby given to the shareholders that the ANNUAL GENERAL MEETING of THE JAPANESE WARRANT FUND will take place at the Company's Registered Office at 45, rue des Scillas, L-2529 Howald, Luxembourg on Wednesday, 19 January 1994 at 4.00 p.m. with the purpose of considering and voting upon the following agenda:

1. Submission of the report of the Board of Directors and of the Auditors
2. Approval of Annual Report for the year ended 30 September 1993.
3. Discharge of the Directors;
4. Election of Directors and Auditors,
5. Any other Business.

Resolutions on the agenda of Annual General Meeting will require no quorum and will be taken at the majority of the shareholders present or represented.
A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Company.

By Order of the Board
C.C. Martin
Secretary

NOTICE OF EARLY REDEMPTION

STOREHOUSE PLC
GBP 69,000,000
4¼ % Convertible Subordinated Bonds due 2001
(the "Bonds")
convertible into Ordinary Shares of a nominal value of 10p each of Storehouse PLC
(Common Code 1010611)

Notice is hereby given in accordance with Condition 5(b) of the Bonds that Storehouse plc (the "Issuer") will redeem all the Bonds still outstanding on March 2, 1994 (the "Redemption Date") at a price of 100% of their principal amount (the "Redemption Amount") plus accrued interest, being GBP 106.25 per Bond of nominal GBP 5,000 for 180 days, to the Redemption Date when interest on the Bonds will cease to accrue.

Payment of the Redemption Amount, together with accrued interest to the Redemption Date, will be made on or after the Redemption Date against presentation and surrender of the Bonds at the offices of any of the Paying and Conversion Agents listed below. Bonds will be presented for payment together with all unmatured Coupons, failing which the face value of any missing unmatured Coupon will be deducted from the sum due for surrender of the relative missing Coupons within 6 years from the date mentioned on the face of the Coupon or, if longer, 12 years from the relevant date (as defined in Condition 7 of the Bonds) for the payment of such principal, in accordance with the Bonds. Bonds and Coupons will, save as otherwise specifically provided, become void unless presented for payment within periods of 12 years and 6 years from the relevant date.

Notice is further given that, in accordance with Condition 4(a) of the Bonds, the Conversion Right attaching to any Bond shall cease at the close of business on February 22, 1994.

January 11, 1994

By: Swiss Bank Corporation, Agent Bank
For and on behalf of Storehouse plc

★★★

Principal Paying Agent and Conversion Agent:
Swiss Bank Corporation, Basel
Principal Conversion Agent and Paying Agent:
Swiss Bank Corporation, London
Paying and Conversion Agents:
Swiss Bank Corporation, Toronto
Kredietbank S.A. Luxembourgeoise, Luxembourg

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.01.94: Pool purchase price £/MWh	Final Prices for Trading on 13.12.93: Pool purchase price £/MWh	Final Prices for Trading on 13.12.93: Pool selling price £/MWh
0030	18.10	18.13	18.13
0100	23.82	21.81	25.13
0130	37.11	33.80	37.01
0200	37.11	33.80	37.01
0230	37.11	25.32	28.53
0300	23.82	25.32	28.53
0330	23.82	25.32	28.53
0400	22.66	22.67	25.79
0430	18.06	18.10	18.10
0500	18.04	18.07	18.07
0530	21.25	20.92	24.13
0600	21.25	18.17	18.17
0630	21.25	25.16	28.38
0700	23.11	24.87	28.18
0730	23.27	25.65	28.87
0800	26.42	26.34	29.56
0830	24.73	26.34	29.56
0900	31.72	26.35	29.57
0930	31.72	26.36	29.58
1000	31.72	26.36	29.59
1030	31.72	26.36	29.59
1100	26.42	26.37	29.59
1130	26.42	37.78	41.00
1200	26.42	37.79	41.02
1230	24.73	37.78	41.01
1300	24.48	29.04	29.04
1330	24.48	18.29	18.29
1400	24.48	18.29	18.29
1430	24.48	18.28	18.28
1600	24.48	18.25	18.25
1530	24.46	18.27	18.27
1600	24.67	18.83	19.83
1630	37.34	39.29	45.59
1700	38.65	63.95	71.61
1730	38.74	65.02	72.37
1800	38.22	54.21	60.17
1830	28.69	32.49	36.42
1900	27.57	26.98	30.37
1930	25.84	26.08	29.33
2000	24.98	25.98	29.20
2030	24.86	25.87	29.18
2100	23.46	25.97	29.18
2130	23.46	25.97	29.18
2200	23.46	25.97	29.18
2230	23.46	24.64	27.65
2300	23.46	18.24	18.24
2330	18.10	18.11	18.11
2400	18.01	18.09	18.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.06/MWh becomes 1.806p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. [illegible]

MITSUI FUDOSAN CO., LTD
YEN 30,000,000,000.
FLOATING RATE NOTES
DUE 1997

Notice is hereby given that for the interest period from 10th January 1994 to 8th July 1994, the rate of interest will be 2.40% per annum. The interest payable on the 8th July 1994 will be Yen 142, 219 per each Yen 10,000,000. Note

Agent Bank:
The Mitsui Trust and Banking Co., Ltd.,
London

This announcement appears as a matter of record only.

London South Cable Partnership

and

Avon Cable Limited Partnership

affiliates of

TeleWest

a joint venture between

TELE-COMMUNICATIONS, INC. **U S WEST, INC.**

£190,000,000
Credit Facility

Lead Arranger
The Toronto-Dominion Bank

Co-Arrangers
Bank of Boston
The Bank of Nova Scotia
Barclays Syndications
Canadian Imperial Bank of Commerce
Swiss Bank Corporation

Funds Provided by

Lead Managers
Bank of Boston
The Bank of New York
The Bank of Nova Scotia
Barclays Bank PLC
Canadian Imperial Bank of Commerce
Swiss Bank Corporation
The Toronto-Dominion Bank

Managers
ABN AMRO Bank N.V.
Citibank, N.A.
Kleinwort Benson Limited
Mellon Bank, N.A.
The Sumitomo Bank, Limited

Co-Managers
The British Linen Bank Limited
Chemical Bank
Crédit Lyonnais
The Fuji Bank, Limited
Kansallis-Osake-Pankki
National Westminster Bank Plc
Samuel Montagu & Co. Limited
Société Générale

Agent
The Toronto-Dominion Bank

October, 1993

Gold price takes another knock

By Kenneth Gooding, Mining Correspondent

Gold's price, which started the new year seemingly set to rise to $400 a troy ounce, took another big knock in hectic European trading yesterday that saw it close in London at $383.10, down $5.15 from Friday's close.

The trend started in New York on Friday when some institutional investors switched money from gold to bonds, traders suggested, partly because the institutions were disappointed that the precious metal had failed to break through the $400 level.

Analysts suggested yesterday's drop had changed gold's technical picture and it could be heading for further falls – with $380, $375 and $370 an ounce important "support" points on the way down. Gold bounced off $379.85 at the lowest level in London yesterday, at which point bargain hunters appeared, traders said.

There were some rumours that Australian producers were selling gold again yesterday after restraining themselves as the price approached $400. In contrast, the Reuter news agency reported suggestions that South Africans had been supporting the market.

US/China wheat deal shows trade war is still on

Laurie Morse reports on a heavily subsidised sale that appears to defy the spirit of the Gatt settlement

The floor of the Chicago Board of Trade reacted like a firework to a lighted match last Tuesday morning to news that China wanted to purchase 1.1m tonnes of US soft wheat. Traders roared and wheat futures soared to all-time highs.

China, once the US's largest wheat customer, has not purchased grain since July 29 and if this huge sale is completed US soft wheat stocks could be drawn down to unexpectedly low levels.

In the midst of the tumult several puzzled traders stumbled out of the pit and punched their calculators. China had bid $88.50 a tonne for the wheat, about $2.40 per bushel, well under the world export price. For the sale to go through, the US government would have to escalate the US/European Union grain war to new heights, kicking in more than $60 a tonne to subsidise the sale through its Export Enhancement Programme.

Only weeks after the US and EC had agreed to begin to reduce farm trade friction through a new General Agreement on Tariffs and Trade, would the US government back aggressive subsidies for the China sale, the traders wondered, or would it pass, causing the futures rally to fizzle on news of an incomplete sale Wednesday morning?

As it turned out, the Gatt agreement had done nothing to cool the trade war. The US Department of Agriculture agreed to pay a $53.5m subsidy to induce China to buy 815,000 tonnes of wheat, with an average "bonus" of $65.61 a tonne, the biggest export subsidy awarded this year. US taxpayers will contribute about $1.78 and the Chinese government $2.40 for each bushel.

Before the Gatt settlement it was understandable for the US to keep up trade pressure on the EC, says Mr Dale Gustafson, cereals analyst for Smith Barney Shearson. "The intent was to keep the negotiators at the table." Now, he says, for the US to escalate the subsidy war "is a bit surprising". Other analysts are more outspoken, calling current world export subsidy levels "insanity".

Since 1985 the US has spent $6.2bn to subsidise wheat exports, including $470m since October. The EU, trying to market a mountainous surplus, has done the same. The trade war has distorted domestic farm programmes and crumpled markets for countries which do not subsidise exports.

While the US has maintained world market share with subsidies, the supply situation at home has shifted dramatically. Floods, drought and frost have eroded US wheat yields and quality for the last two harvests, leaving supplies historically short. Mr Dick Lowey, president of the research firm AgResources, estimates that only 35m to 45m bushels of soft red winter wheat, the variety most competitive with EU wheat, will be left in farmers' bins at the end of this season, barely enough to prime the export pipeline.

Arranging a ceasefire in a 9-year trade war is difficult. "The wheels of government move slowly," says one USDA export analyst who asks not to be identified. "What happens to EEP after Gatt remains to be seen."

The Gatt settlement calls for a gradual reduction in cereals subsidies. One of its aims is to draw down the EU's 23m-tonne wheat stock over a six-year period. AgResources' Mr Lowey believes the US will soon begin to lower its subsidies to destinations like Morocco, allowing a modest shift in its wheat exports to the EU. He says US wheat prices, now nearing $4 a bushel, reflect concern that US wheat supplies may not rebuild quickly without that shift. "We're at a stage where we should begin to phase out subsidies, and I think we'll begin to see that [reflected in EEP bonus levels] soon," he suggests.

Metal market analysts expect slow and arduous recovery in 1994

The worst may be over for the world's metal producers, writes **Kenneth Gooding,** but a quick recovery in price levels is not on the cards

The worst is over for metals producers in this economic cycle. But analysts suggest this does not mean that there will be a quick return to prosperity. The move away from the depths into which prices sank last year, a plunge that caused many producers big losses, will be slow and arduous.

Analysts surveyed by the Financial Times predict that all but one of the London Metal Exchange-traded metals are likely to have a higher average price this year than in 1993 – the odd one out being copper, which some forecasters believe still has some way to fall.

Most of the analysts suggest that lead is the base metal likely to show the biggest average price improvement this year.

Precious metals, which recovered last year from the bottom of the trough they reached at the begining of 1993, are forecast to continue their steady price rise.

According to Mr Philip Crowson, chief economist at RTZ Corporation, the world's biggest mining group, base metals prices are likely to remain subdued right into 1995. While the US economy is picking up relatively strongly, Germany and Japan are still in the doldrums, he points out. This will delay any increase in demand for metals.

"The traffic lights may no longer be set at red, but amber is still flashing strongly in many important metal consuming regions," he says.

Like many other analysts, Mr Crowson suggests that, as producers cannot expect a strong boost in demand to come to their rescue, they must take their fate into their own hands.

"Until there are significant and genuine productions cuts, particularly in those metals where stocks are highest – aluminium and zinc – I see no reason for prices to move up very much."

Last January analysts were predicting that 1993 would be another tough year for metals producers and their worst fears were realised.

Apart from deepening recession in most parts of the industrialised world, only partly compensated for by a sluggish improvement in the US, producers had to cope with worsening problems associated with the collapse of the former Soviet Union. This has meant either a surge in metal exports from the area (particularly of aluminium, nickel and zinc) or a steep fall in the imports the CIS used to make.

As the accompanying chart shows, all the LME metals suffered a big drop in average prices in 1993 compared with 1992.

In contrast gold's price, which was at a seven-year low on the first trading day of 1993 in London, moved up – as did platinum and silver prices.

Mr Nick Moore, analyst at Ord Minnett, now partly owned by the Jardine Matheson trading group, points out that in many previous economic cycles base metals have recovered nine to ten months after precious metals prices moved away from their lows. "This seems to be happening again."

As usual, some predictions stand out because they are against the trend set by most of the analysts. For example, Mr Dan Roling at the Merrill Lynch financial services group, and Mr Wiktor Bielski at Bain & Co, a Deutsche Bank company, are predicting a strong rise in copper's price while most of their competitors suggest a lacklustre performance can be expected from this metal.

Mr Bielski explains his position: "The fundamentals in the copper market are getting better all the time".

He cites US copper demand, up more than 8 per cent in 1993, and recent falls in copper stocks on both the New York Commodity Exchange and the LME. Stocks represent only about eight weeks' consumption, the lowest ever coming out of a recession, he points out. There was probably a 1.5 per cent increase in western world copper demand last year compared with 1992 and "people are begining to realise there will not be a surge in supply in 1994".

He says only 60,000 to 70,000 tonnes of extra annual copper capacity is scheduled for 1994 – the big surge is due in 1995.

From his New York base Mr Roling is out of step with the other (mainly London-based) analysts in his forecast of a steep drop in zinc prices. He explains: "I believe there will be no production cuts".

Ord Minnett's Mr Moore stands out as a bull of aluminium. He remains convinced the aluminium industry will find a way before long to solve the international crisis caused by supplies of the metal – much of it from Russia – swamping demand. He says most of the improvement in aluminium's price, and the prices of other base metals, will come in the second half when he predicts that London Metal Exchange stocks, at present at record levels, "will fall precipitously".

Precious metals analysts whose forecasts are not in the chart include Mr Andy Smith at Union Bank of Switzerland, who suggests that the price of gold might move over $400 an ounce in the short term. Looking a year ahead, however, he sees the metal back at $350 an ounce.

Mr George Milling-Stanley at Lehman Brothers, the New York financial services group, is forecasting an average gold price of about $375 an ounce in 1994. He also suggests there will be a higher range for gold this year – of $420 to $350, compared with 1993's range of $410 to $325.

He says: "Speculative buying may carry the price beyond the 1993 high, but gold has stalled between $400 and $430 on several occasions in recent years, and this area can be expected to provide considerable resistance".

ANALYSTS' FORECASTS FOR AVERAGE PRICES IN 1994
(US cents a pound for base metals, US dollars a troy ounce for precious metals)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	Gold	Platinum	Silver
Bain & Company	53	92.5	25	245	237.5	50	400	410	5.25
Billiton-Enthoven Metals	54	80	26	270	250	50	n/a	n/a	n/a
Credit Lyonnais Laing	50	80	21	300	250	52	425	450	5.25
Economist Intelligence Unit	56.7	84.5	24.3	292	260	45.3	n/a	n/a	n/a
T. Hoare & Company	51	82.5	23	220	220	49	390	390	4.85
Indosuez Capital Securities	50	85	24	260	235	49	410	420	5.25
Merrill Lynch	56.5	100	20.5	250	235	35	400	405	5.10
Metal Bulletin Research	55	80	24	275	250	48	n/a	n/a	n/a
Metals & Minerals Research Services	54	80	23	255	250	42.5	390	400	6.00
Ord Minnett	60	85	23	260	250	48	400	395	5.00
S.G. Warburg	52.5	82.5	22.5	250	240	45	390	400	4.90
Rudolf Wolff	56	84	22.5	260	250	45	n/a	n/a	n/a
1993 Actual spot average*	51.7	86.8	18.4	240	234	43.6	359.8	374	4.31
1992 Actual spot average*	56.9	103.5	24.6	318	277	56.2	343.7	359.8	3.98

* Supplied by Ord Minnett

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1153-4	1170-1
Previous	1132.5-3.5	1149-50
High/low	-	1170/1157
AM Official	1150-0.5	1167.5-8.0
Kerb close		1167-8
Open int.	288,265	
Total daily turnover	84,678	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	986-8	1011-2
Previous	975-80	1000-2
High/low	985	1113/1009
AM Official	985-8	1010-3
Kerb close		1013-5
Open int.	2,662	
Total daily turnover	388	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	474-5	487-8
Previous	460-1	473-4
High/low	-	489/474
AM Official	471-2	484-5
Kerb close		488-9
Open int.	31,515	
Total daily turnover	5,900	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5410-20	5576-80
Previous	5225-35	5285-90
High/low	5309	5510/5285
AM Official	5305-7	5385-6
Kerb close		5490-500
Open int.	52,658	
Total daily turnover	12,384	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4775-85	4820-30
Previous	4710-5	4755-60
High/low	-	4850/4770
AM Official	4762-5	4815-20
Kerb close		4845-50
Open int.	15,991	
Total daily turnover	4,400	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	975-6	994.5-5.0
Previous	972-3	991-2
High/low	-	999/987
AM Official	969-70	989-9.5
Kerb close		996.5-7.0
Open int.	100,714	
Total daily turnover	21,481	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1740-1	1761-1.5
Previous	1731-2	1748-8.5
High/low	1728.5	1766/1730
AM Official	1728-8.5	1748.5-9.0
Kerb close		1763.5-4.0
Open int.	248,806	
Total daily turnover	77,992	

■ LME AM Official £/$ rate: 1.4942
LME Closing £/$ rate: 1.4940

Spot:1.4930 3 mths:1.4842 6 mths:1.4798 9 mths:1.4750

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	80.90	+2.65	80.90	79.40	1,264	173
Feb	80.95	+2.55	81.00	80.00	1,286	52
Mar	81.20	+2.60	81.20	79.05	40,749	9,230
Apr	81.35	+2.55	79.30	79.30	721	6
May	81.50	+2.50	81.50	79.60	8,153	1,050
Jun	81.70	+2.50	81.80	81.00	853	31
Total					67,378	12,364

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	382.90-383.30	
Opening	382.10-382.50	
Morning fix	382.20	255.960
Afternoon fix	383.20	256.724
Day's High	384.80-385.30	
Day's Low	381.00-381.50	
Previous close	388.00-388.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.82 6 months 2.79
2 months ....2.79 12 months 2.81
3 months 2.79

Silver Fix	p/troy oz.	US cts equiv.
Spot	491.15	328.95
3 months	494.70	333.10
6 months	498.95	337.35
1 year	507.60	344.95

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	257-260
Maple Leaf	394.10-396.60	
New Sovereign	88-91	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	385.0	-1.4	-	-	93,822	49,725
Feb	385.7	-1.5	386.1	379.5	33	24
Mar	386.6	-1.5	386.5	383.5	16,862	3,089
Apr	387.6	-1.5	388.0	382.5	23,744	473
Jun	389.4	-1.6	390.0	384.0	5,620	1
Aug	391.4	-1.6	390.5	388.2	3,733	15
Total					169,136	54,791

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	385.9	-1.1	386.5	383.5	262	9
Apr	387.9	-1.1	388.0	384.1	16,211	1,738
Jul	389.2	-1.1	389.5	388.5	2,324	17
Oct	390.5	-1.1	390.5	389.5	239	4
Jan	391.9	-1.1	390.0	390.0	135	-
Total					19,171	1,768

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	123.40	-2.10	124.50	122.50	4,086	186
Jun	122.55	-2.10	124.00	122.50	720	1
Sep	122.05	-2.10	-	-	55	-
Dec	121.55	-2.10	-	-	69	-
Total					4,930	187

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	503.5	+3.7	-	-	4	5
Feb	504.8	+3.7	-	-	1	-
Mar	506.2	+3.7	507.0	489.0	75,207	21,518
May	509.4	+3.7	511.0	492.0	11,035	1,279
Jul	512.5	+3.7	515.0	494.0	10,769	195
Sep	515.7	+3.7	511.0	498.0	5,258	43
Total					120,270	23,162

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	14.81	-0.51	15.40	14.79	89,967	31,708
Mar	15.09	-0.47	15.58	15.03	79,634	28,165
Apr	15.30	-0.45	15.66	15.24	37,386	9,542
May	15.48	-0.45	15.85	15.47	30,398	7,039
Jun	15.67	-0.45	16.04	15.65	38,537	4,755
Jul	15.92	-0.38	16.25	15.88	17,319	2,634
Total					437,420	86,163

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	13.86	-0.37	14.30	1380	66,597	18,522
Mar	13.86	-0.36	14.27	1383	46,373	17,938
Apr	14.05	-0.36	14.44	1400	18,149	2,893
May	14.26	-0.34	14.52	1423	8,007	1,270
Jun	14.46	-0.35	14.80	1446	7,211	315
Jul	14.97	+0.07	14.97	1497	5,874	2
Total					167,015	37,384

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	47.05	-1.12	48.70	46.90	52,729	22,075
Mar	46.00	-1.13	47.30	45.85	38,367	10,631
Apr	45.25	-1.08	46.45	45.20	23,401	4,632
May	44.90	-1.13	45.95	44.90	26,618	1,131
Jun	45.20	-0.73	45.90	45.10	18,236	1,817
Jul	45.85	-0.58	46.40	45.75	13,857	1,949
Total					206,703	45,807

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	141.25	-4.75	146.00	141.25	22,250	8,416
Feb	142.75	-3.50	146.75	142.50	25,063	8,868
Mar	143.25	-3.75	146.00	143.00	16,775	2,334
Apr	143.00	-3.25	145.50	143.00	11,382	607
May	144.00	-2.75	145.50	144.00	6,754	283
Jun	144.75	-2.75	146.50	144.00	12,305	801
Total					113,084	21,945

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	2.150	-0.008	2.200	2.145	25,452	16,248
Mar	2.055	+0.005	2.080	2.055	16,568	6,053
Apr	2.000	-	2.020	1.990	15,700	2,202
May	1.985	+0.005	2.000	1.980	9,975	1,433
Jun	1.980	+0.500	1.985	1.970	7,537	760
Jul	1.970	-	1.980	1.970	7,779	1,417
Total					128,383	33,596

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	42.10	-1.72	43.60	41.85	38,145	14,170
Mar	43.10	-1.83	44.50	43.00	31,313	6,876
Apr	46.10	-1.55	47.35	45.95	25,255	1,780
May	46.95	-1.45	48.15	46.80	27,138	1,113
Jun	47.45	-1.61	48.95	47.45	9,402	673
Jul	48.10	-1.37	48.25	48.10	2,501	352
Total					137,838	25,102

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	99.30	-0.05	99.25	99.25	149	1
Mar	100.50	-0.15	100.90	100.40	2,059	155
May	101.65	-0.10	101.75	101.50	1,651	42
Jun	102.00	-0.25	-	-	152	22
Sep	91.30	-0.10	-	-	109	40
Nov	92.40	-	92.25	92.25	541	5
Total					4,804	250

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	390/6	-0/6	391/4	387/2	155,225	28,745
May	367/2	-0/2	369/4	365/0	45,205	8,810
Jul	346/2	-	347/4	345/0	65,025	9,075
Sep	347/6	-	348/0	346/0	9,385	315
Dec	355/2	-0/2	355/4	353/6	9,310	590
Jul	327/4	-	-	-	20	-
Total					284,198	47,535

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	303/6	-5/2	307/6	303/0	729,170	103,580
May	308/6	-5/0	312/6	307/6	420,525	39,165
Jul	309/2	-4/4	319/2	308/0	348,935	38,780
Sep	287/6	-3/0	290/4	287/0	60,685	4,995
Dec	268/4	-2/2	270/6	267/4	184,030	12,610
Mar	274/0	-2/0	276/2	273/4	10,865	695
Total					1.755M	199,845

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	104.05	+0.20	104.00	104.00	138	19
Mar	105.40	-0.30	105.50	105.40	704	20
May	106.50	-0.25	106.75	106.75	203	5
Sep	93.50	-1.25	-	-	40	-
Nov	95.00	-1.40	-	-	52	-
Jan	97.40	-1.60	-	-	-	-
Total					1,137	44

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	681/4	-12/6	689/2	681/0	29,535	38,180
Mar	688/4	-13/2	698/0	688/0	419,105	41,940
May	692/0	-13/6	701/0	691/0	177,010	26,325
Jul	692/4	-13/4	701/2	692/0	152,885	15,845
Aug	685/4	-13/6	694/4	685/0	25,785	1,095
Sep	664/2	-10/2	670/4	664/0	14,625	665
Total					887,685	233,375

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	28.55	-0.28	28.75	28.44	5,522	2,374
Mar	28.47	-0.30	28.60	28.32	44,040	14,835
May	28.16	-0.28	28.30	28.06	18,265	3,634
Jul	27.86	-0.09	27.95	27.65	12,663	3,091
Aug	27.43	-0.07	27.45	27.20	4,753	308
Sep	26.55	-0.23	26.70	26.50	3,941	378
Total					98,284	26,081

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	198.2	-1.8	199.5	197.9	6,243	2,079
Mar	198.2	-2.7	200.2	198.0	39,148	7,270
May	199.0	-2.9	201.1	198.8	14,395	2,172
Jul	199.7	-3.2	201.9	199.6	12,883	1,799
Aug	198.9	-3.1	200.8	198.8	5,412	1,262
Sep	197.3	-3.4	199.5	197.0	2,783	635
Total					84,926	15,618

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	152.5	+57.6	-	-	34	5
Apr	110.8	+2.6	112.0	109.0	1,876	105
May	129.3	+1.8	131.0	129.5	609	122
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,519	227

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1246	+9	-	-	879	31
Feb	1275	+5	-	-	173	29
Mar	1291	+8	1291	1291	26	4
Apr	1320	+15	1320	1309	824	103
Jul	1180	+5	-	-	218	3
Oct	1318	-10	1338	1329	181	79
Total					2,355	166

	Close	Prev
BFI	1214	1213

Tea
Landed teas met fair but less general demand, reports The Tea Brokers' Association. Assams met selective competition with better medium teas 10 to 20p lower and plainer descriptions 5 to 10p easier where sold. Pekoe dusts were a weak feature throughout. Brightest East Africans eased by 5 to 10p and closed upto 20p lower. Medium and plainer sorts declined by 3 to 5p. Dust grades met limited support at easier rates with many withdrawals. Ceylons attracted fair demand but at easier rates. Offshore fair demand although prices were often easier by 5 to 10p. Quotations: quality 170p/kg, good medium 140p/kg, medium 103p/kg and low medium 92p/kg. The highest price realised this week was 180p/kg for a Rwanda pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	902	+14	904	881	36,417	3,784
May	918	+12	920	901	15,160	1,667
Jul	931	+11	932	916	9,412	557
Sep	945	+12	947	931	10,060	783
Dec	961	+12	950	946	13,984	79
Mar	976	+13	975	959	24,586	177
Total					127,378	7,836

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1143	+5	1153	1126	33,816	8,684
May	1180	-	1188	1162	14,358	2,261
Jul	1210	+8	1217	1200	9,712	1,530
Sep	1236	+8	1238	1225	6,323	71
Dec	1261	+6	1262	1245	6,730	69
Mar	1276	+6	-	-	8,036	562
Total					88,792	13,227

■ COCOA (ICCO) (SDR's/tonne)

Jan 7	Price	Prev. day
Daily	910.64	915.05
Jan 10		
10 day average	926.51	929.60

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1185	+6	1195	1190	1,276	50
Mar	1208	+11	1212	1203	15,677	1,104
May	1205	+12	1208	1200	9,637	369
Jul	1199	+11	1205	1200	1,820	235
Sep	1200	+14	1201	1199	934	50
Nov	1199	+12	1200	1200	359	10
Total					29,526	1,818

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	73.05	+0.55	73.35	72.60	35,468	9,432
May	74.75	+0.55	75.00	74.40	11,207	1,848
Jul	76.15	+0.45	76.40	75.90	3,758	751
Sep	77.70	+0.80	77.70	77.50	2,359	183
Dec	79.35	+0.75	79.35	79.25	1,326	79
Mar	80.90	+0.50	81.00	80.80	752	4
Total					54,872	12,297

■ COFFEE (ICO) (US cents/pound)

Jan 7	Price	Prev. day
Comp. daily	68.42	68.53
15 day average	70.41	70.74

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.72	+0.04	10.75	10.75	1,084	5
May	11.12	+0.04	-	-	678	-
Jul	11.36	+0.04	11.35	11.29	2,922	87
Oct	11.08	-0.03	11.12	11.12	50	4
Total					4,734	98

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	285.10	+0.80	286.00	284.40	6,956	612
May	287.80	+0.80	288.00	287.00	1,945	99
Aug	291.80	+0.10	291.70	291.50	1,434	53
Oct	281.40	+0.70	282.00	282.00	1,818	4
Dec	280.30	+0.60	-	-	80	-
Mar	281.50	+0.50	-	-	63	-
Total					12,297	768

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.56	-0.02	10.62	10.52	50,004	8,905
May	10.83	-0.04	10.87	10.80	26,225	2,386
Jul	10.78	-0.06	10.83	10.77	15,892	416
Oct	10.77	-0.05	10.80	10.76	14,353	759
Mar	10.79	+0.02	10.79	10.75	2,394	210
May	10.80	-	-	-	37	25
Total					108,927	12,738

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	67.60	-0.69	68.05	67.31	26,243	4,132
May	68.67	-0.66	69.15	68.42	11,893	1,787
Jul	69.45	-0.73	69.95	69.25	7,121	712
Oct	68.20	-0.05	68.30	67.90	1,171	180
Dec	66.83	-0.20	66.90	66.60	6,522	588
Mar	67.77	-0.23	57.50	67.30	52	1
Total					53,020	7,400

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	111.95	+2.55	114.00	110.60	784	168
Mar	113.70	+2.20	115.65	112.50	12,462	1,461
May	116.45	+2.40	117.75	115.50	2,864	132
Jul	118.35	+2.30	118.60	118.25	1,110	47
Sep	119.80	+1.95	120.80	119.50	664	2
Nov	121.40	+1.80	-	-	148	-
Total					18,466	1,805

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 10	Jan 7	month ago	year ago
1668.4	1667.7	1668.3	1704.4

■ CRB (Base: 4/9/56=100)

Jan 7	Jan 6	month ago	year ago
226.79	227.72	224.80	202.56

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.675	-0.075	74.125	73.650	31,427	10,214
Apr	76.375	+0.100	76.650	76.250	20,511	4,062
Jun	74.450	-0.250	74.800	74.325	16,277	2,499
Aug	73.275	-0.450	73.750	73.200	8,497	1,271
Oct	73.250	-0.450	73.675	73.175	4,231	273
Dec	74.050	-0.250	74.050	73.750	809	29
Total					81,781	18,348

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	46.375	-0.325	46.975	46.350	10,936	3,701
Apr	48.450	-0.025	48.825	48.200	7,820	2,921
Jun	53.775	-0.050	54.075	53.625	6,234	1,212
Jul	53.350	-0.225	54.000	53.300	2,712	445
Aug	52.150	+0.050	52.400	51.950	1,672	147
Oct	49.075	-0.050	49.425	48.950	1,022	227
Total					30,920	8,713

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	58.375	-0.325	57.150	56.275	5,147	1,540
Mar	56.900	-0.475	57.675	56.800	1,768	432
May	58.200	-0.325	58.850	58.050	1,911	235
Jul	58.950	-0.375	59.300	58.550	1,659	114
Aug	56.525	-0.100	57.000	56.525	263	38
Total					10,768	2,358

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1125	59	83	17	25
1150	44	68	27	35
1175	31	55	39	46
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
1700	86	115	27	36
1750	57	85	47	56
1800	35	61	75	81
■ COFFEE LCE	Mar	May	Mar	May
1150	74	101	18	46
1200	45	74	39	69
1250	25	54	69	99
■ COCOA LCE	Mar	May	Mar	May
900	34	59	32	41
925	24	47	47	54
950	16	37	64	69
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1400	2	9	-	20
1450	3	5	-	-
1500	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$12.94-2.99w	-.385
Brent Blend (dated)	$14.12-4.14	-0.46
Brent Blend (Feb)	$13.87-3.89	-0.46
W.T.I. (1pm est)	$14.79-4.81w	-0.58

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$145-148	-1.5
Gas Oil	$146-148	-3.5
Heavy Fuel Oil	$57-59	-1
Naphtha	$128-130	-3
Jet Fuel	$165-166	-3.5

Petroleum Argus Estimates

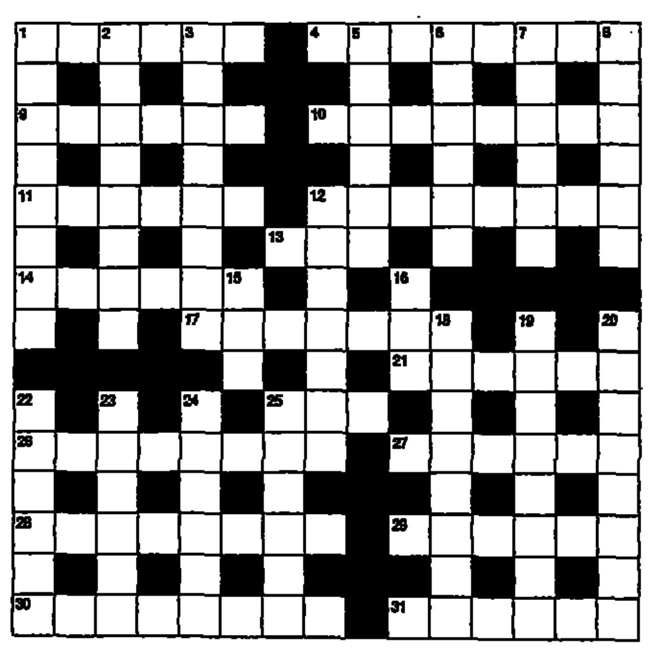
■ OTHER

Gold (per troy oz)♣	$383.10	-5.15
Silver (per troy oz)♣	497.5c	-8.0
Platinum (per troy oz.)	$383.25	-6.5
Palladium (per troy oz.)	$123.65	-0.90
Copper (US prod.)	84.6c	-0.5
Lead (US prod.)	38.13	+1.13
Tin (Kuala Lumpur)	12.18r	-0.01
Tin (New York)	220.50	-1.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	121.20p	+1.36*
Sheep (live weight)†♠	99.71p	+6.48*
Pigs (live weight)	64.70p	-2.09*
Lon. day sugar (raw)	$263.1	-4.1
Lon. day sugar (wte)	$287.0	-0.5
Tate & Lyle export	£287.5	-4.5
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£129.0z	
Wheat (US Dark North)	£175.0	
Rubber (Feb)¥	60.50p	-0.25
Rubber (Mar)¥	60.75p	-0.25
Rubber(KL RSS No1 Feb)	215.00m	+1.0
Coconut Oil (Phil)§	$615.0x	
Palm Oil (Malay.)§	$405.0t	
Copra (Phil)§	$426.0	-7.5
Soyabeans (US)	£207.0y	
Cotton 'A' index	65.40c	-0.15
Wooltops (64s Super)	347p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan w Feb. z Jan/Mar. v Sep/Oct. ‡ Feb/Mar. › Jan/Feb. ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,350 Set by PROTEUS



ACROSS

1 Official account of rumour (6)
4 At the beginning was first to be shocked (8)
9 Fortune at risk (6)
10 Begs children to accept difficult role (8)
11 Emits note putting rest out (6)
12 Young lady broadcaster of good appearance and manners (8)
13 Getting through to returning traveller (3)
14 Shield seen in church, cinema or cricket-field (6)
17 Forbear to assume burden (7)
21 Standard issue for a clergyman .... (6)
25 .... when at hospital to see remains (3)
26 They may operate switches for excursionists (8)
27 It runs down trouser-leg of soldier while in church (6)
28 Playful bear-cub eating top of elm (8)
29 Blow received with pleasure by soldier? (6)
30 Protection for newspaper heads perhaps (3-5)
31 Cheerful and clever statesman (6)

DOWN

1 Access to core elements sure to be awkward (8)
2 Men who pioneered flowerpots (8)
3 Producer of notes for judge (8)
5 Satisfied about getting through fit of ill-humour (6)
6 Deodorant found in corset (4,2)
7 Song about lieutenant's picketing rope (6)
8 Leave uninhabited (6)
12 Lower spirits of French journalists (7)
15 Clear of all charges about figure (3)
16 Recommend mine uprising (3)
18 Managed to turn right list up for storyteller (8)
19 Trying one's hand at metal-testing (8)
20 Personal influence in concern (8)
22 Painter of stumps it is said (6)
23 Citation man got for fruit? (6)
24 Discourse on language (6)
25 About to have a game of golf (6)

Solution to Saturday's prize puzzle on Saturday January 22.
Solution to yesterday's prize puzzle on Monday January 24.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Share prices end erratic session with a rally

By Terry Byland,
UK Stock Market Editor

A highly volatile, but finally unconvincing, session in London stocks saw share prices consolidating around existing levels rather than developing any new trends. Non-Footsie stocks again attracted significant interest although, here again, the focus was on consolidation.

Traders expressed concern over the volatility which has featured equities since Christmas. Stock index futures led share prices yesterday but there was no sign of specific pressures in the derivatives markets. Hopes for base rate cuts appeared to have been put back to spring once more, and weakness in government bonds took the bounce out of the stock market.

A strong start to the new Wall Street session gave a closing boost to a London market which had moved through a near 40-point Footsie range earlier in the day. Market-makers were still struggling to attract stocks to replenish their trading books.

At its final reading the FT-SE 100 Index was down 5.4 at 3,440.6. London opened well, hoping for a continuation of Friday's advance, but was undermined when the stock index futures refused to support the initial optimism.

A gain of 22 Footsie points in pre-trading was quickly wiped off within a few minutes of the opening of the derivatives markets. Shares then drifted down and the Footsie showed a loss of 16 points as it waited for Wall Street to open. The rally in London came slowly, as the Dow Industrial Average gained 15 points in UK trading hours.

Account Dealing Dates		
*First Dealings:		
Jan 4	Jan 17	Jan 31
Option Declarations:		
Jan 13	Jan 27	Feb 10
Last Dealings:		
Jan 14	Jan 28	Feb 11
Account Day:		
Jan 24	Feb 7	Feb 21

*New time dealings may take place from two business days earlier.

The FT-SE Mid 250 Index also gave ground, slipping 11.1 to 3,901.4. But trading in non-Footsie stocks made up around 66 per cent of the day's Seaq total of 849.1m shares, well above daily averages.

Stock exchange statistics disclosed that Friday's Seaq volume of 1.4bn shares was worth £2.25bn in retail business, nearly twice the daily average for last year. This bore out suggestions that the big institutions have been busy reshaping their portfolios, often moving out of selected blue chips and into second line issues. In an unusual development, last week saw the FT-SE Mid 250 Index setting the pace for the blue chip sectors.

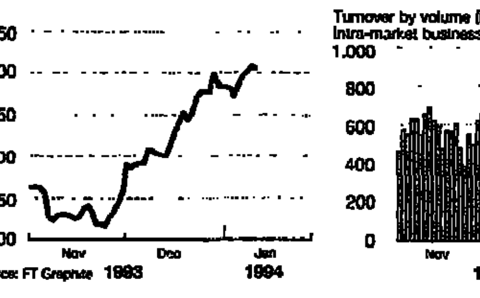
This has in part been prompted by the powerful influence exerted on the Footsie stocks from the derivatives market, which has given rise to some concern over the valuations put on the Footsie list by the pre-Christmas boom.

The market was held back by the less buoyant mood in oil shares, as well as by caution among some domestic sectors as they awaited the January round of profits statements.

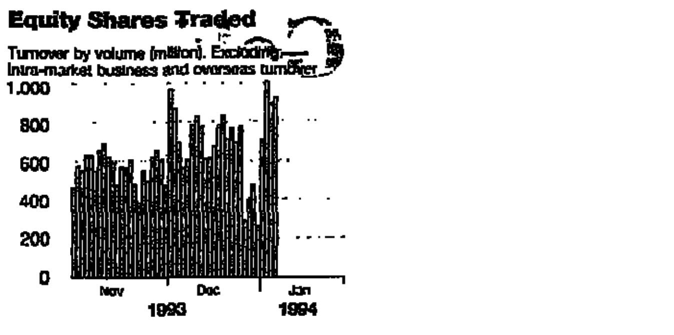
Uncertainty still hung over the retail sector as it looked for definitive news from the Christmas sales. However, some analysts believe that any weakness in retail sales might benefit the stock market by prompting the cut in base rates on which a further advance in share prices appears to depend.

Some other consumer sectors ran into profit-takers and the banks, which outperformed strongly in December, were mostly easier ahead of their trading statements – the exception being TSB which opens the season later this week.

London's ready response to Wall Street was seen as a promising indication of underlying confidence. Hopes that interest rates can remain low in the US revived last week, contrasting with the bout of nervousness over the US economy suffered in the previous week.



Source: FT Graphite



Key Indicators

Indices and ratios

FT SE 100	3440.6	-5.4	FT Ordinary index	2614.9	-2.5
FT-SE Mid 250	3901.4	-11.1	FT-SE-A Non Fins p/e	22.40	(22.13)
FT-SE-A 350	1722.6	-3.2	FT-SE100 Fut Mar	3463.0	-2.0
FT-SE-A All-Share	1703.84	-2.15	10 yr Gilt yield	6.20	6.26
FT-SE-A All-Share yield	3.32	(3.36)	Long gilt/equity yld ratio:	2.03	2.01

Best performing sectors		Worst performing sectors	
1 Pharmaceuticals	+1.8	1 Breweries	-1.6
2 Textiles & Apparel	+1.0	2 Gas Disrtibution	-1.5
3 Spirts, Wines & Ciders	+0.9	3 Tobacco	-1.4
4 Other Services & Bus.	+0.9	4 Retailers, Food	-1.4
5 Electronic & Elect	+0.8	5 Oil Exploration	-1.3

RMC and Wolseley hit highs

The building materials sector provided two of the best performers in the FT-SE 100 Index yesterday in Wolseley and RMC, both of which raced up to all-time highs.

Wolseley, the builders merchant, took pride of place in the sector, the shares climbing 25, or 2.8 per cent, to a record 895p as the market became increasingly optimisitic about the outcome of a visit by UK analysts to the company's French interests, called Brossette, acquired in 1992.

Brossette is France's leading plumbing materials supplier and performed exceptionally well last year in spite of the weak French economy, improving both turnover and profits via gains in market share.

Analysts also focused on the exceptionally good figures for November released by the Builders Merchants Federation last week. These showed an 11.3 per cent increase in real turnover levels, the 10th consecutive month to show an upturn. And Wolseley shares featured in a basket of call warrants issued by Morgan Stanley involving shares in four UK building companies. Morgan Stanley (Jersey) issued 1m call warrants, with each basket containing 14 Tarmac shares, three Wolseley, 17 Taylor Woodrow and three RMC.

RMC shares moved through the symbolic £10 barrier for the first time, closing 11 higher at 1002p, boosted partly by their involvement in the Morgan Stanley basket, but also by general optimism on interest rates in Europe, particularly in the UK and Germany.

Tarmac, however, settled 2 off at 192p, reacting to flurries of profit-taking after its recent strong showing. Taylor Woodrow also came under pressure, closing 5 cheaper at 159p, with one UK broker said to have adopted a cautious stance on the shares.

BAT pressured

Shares in tobacco and financial services group **BAT Industries** gave up 8 to 555p, in above average trade of 7.9m shares, after Hoare Govett reiterated its negative stance. But the broker denied market talk that it had also downgraded profit expectations.

Urging investors to sell the stock, Hoare Govett said, "negative cash flow in 1994 and 1995 is likely to impede significant dividend progression." Analysts at SG Warburg were also reported to have advised investors to sell the stock. The retreat came as the group announced it had merged its two UK based asset management operations to form Threadneedle Asset Management.

Shares in conglomerate **Tomkins** finished 3 lighter at 259p, having surrendered the earlier gains that took it to the day's peak of 274p, following the release of better than expected first half figures. Interim profits came in at £93.8m around £5m ahead of forecasts and analysts quickly moved to make modest upgrades to their full year expectations.

However, researchers said the post-results meeting with management was "unconvincing" and that doubts about the RHM acquisition remain. Volume had reached 7.1m by the close.

Last week's strong showing by the leisure sector continued, although **Rank Organisation** was sent into reverse by a combination of profit-taking and nervousness ahead of results on Thursday. The stock retreated from Friday's all-time high to close 21 down at 1013p. There were also worries in the market over Rank's full-year figures on Thursday, particularly over the contribution from the Rank Xerox division. Analysts are forecasting profits of around £265m.

Lesiure and property group **Ladbroke** was again a prominent feature as its run of positive news continued. After last week's executive changes and flurry of broker recommendations, the company yesterday unveiled its bid for the National Lottery. Analysts were also digesting weekend press reports of further restructuring moves at the group and the possibilty of a name-change. The shares climbed 6 to 200p in another hefty day's turnover of 16m.

Stakis jumped 6 to 71p as Hoare Govett recommended the shares amid weekend press reports that the hotel group would report profits in excess of £10m today. Hoare's is looking for £10.8m and expects a confident trading statement.

Jewellery retailer **Signet Group** soothed investor nerves with a positive trading statement and the shares gained 3½ to 31p. A month ago, worries over pre-Christmas trading at the former Ratners chain pushed the shares down to half their current level. Signet said December like-for-like sales were 11 per cent higher than last year and forecast a return to profitability for 1994, compared with a loss of £40.1m last year.

Among other stores groups expected to make trading statements this week, **Laura Ashley** added 6 to 78p, while **Storehouse** fell 5 to 242p. Speculation that **Kingfisher** will still be pushed into commenting on its Christmas sales continued, although the shares rebounded from last week's mauling to close 8 up at 737p. There was also talk that one securities house, believed to be Smith New Court, had downgraded its profit forecast. Kingfisher, which owns the Comet electrical retail chain, has been undermined by a profit warning last week from **Dixons**. Its shares slipped a penny to 243p.

Oil shares, among the market's best performers last week, were hit by a wave of selling pressure as dealers adopted the view that an emergency meeting of Opec members later this month is now unlikely. The latest stories were accompanied by a steep decline in crude oil prices which fell around 30 cents a barrel. The next Opec meeting is scheduled for March 25. The influential Middle East Economic Survey said such a meeting is "unlikely."

BP fell 4½ to 368p after turnover of 6m shares, while **Shell** dipped 3½ to 739p on 2.9m. **Burmah Castrol**, a strong performer last week after a broker recommendation, lost 15 to 848p.

In the exploration and production sub-sector **Lasmo's** recent strong rally was halted, the shares settling 5 off at 123p. **Premier Consolidated** attracted heavy activity most of which was accounted for by two trades, with one institution thought to have sold a block of 4.6m shares at 21p a share. A block of 3m shares were said to have been sold on at 21¼p a share.

TSB, reporting preliminary results on Thursday, rose 5 to 259p.

Hints that a US institution had sold a block of 200,000 **Willis Corroon** ADR's into London, equivalent to 1m shares, saw Willis shares tumble 4½ to 238½p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 26

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (505).
OTHER FIXED INTEREST (9) BANKS (6) BREWERIES (1) Regent Inns, BUILDING & CNSTRN (16) BLDG MATLS & MCHTS (16) CHEMICALS (6) Alcco, British Vita, Croda, Laporte, McLeod Russel, Perstorp AB B, DISTRIBUTORS (20) DIVERSIFIED INDLS (16) ELECTRNC & ELECT EQUP (13) ENGINEERING (17) ENG, VECHICLES (9) Daimler-Benz, Laird, Lucas, Do Wts., Syltone, Trinity, Volkswagen, Volvo AB 'B', EXTRACTIVE INDS (16) FOOD MANUF (8) Avonmore, Cadbury Schweppes, Carr's Milling, Devro Intl, Kerry A, Nestle' SA, Tate & Lyle 7.25p Pf., Wiliamson, GAS DISTRIBUTION (1) Calor, HEALTH CARE (7) Associated Nursing Servs., Court Cavendish, Enviromed, Ferraris, Quality Care Homes, Takare, Westminster Healthcare, HOUSEHOLD GOODS (7) Airsprung, Creighton Naturally, Mayborn, Osborne & Little, Paterson Zochnis, Do N/V, Waterford Wedgwood, INSURANCE (13) INVESTMENT TRUSTS (136) INVESTMENT COMPANIES (11) LEISURE & HOTELS (16) LIFE ASSURANCE (3) AEGON, Irish Life, Prudential, MEDIA (23) MERCHANT BANKS (3) Rea Bros., Singer & Friedlander, Warburg (S G.), OIL EXPLORATION & PROD (2) Command, OGC, OTHER FINANCIAL (16) OTHER SERVS & BUSNS (5) Anglo-East Plants., Bertam, Great Southern, Landu, UDO, PHARMACEUTICALS (1) Zeneca, PRTNG, PAPER & PACKG (16) PROPERTY (28) RETAILERS, FOOD (1) Fitzwilton, RETAILERS, GENERAL (11) SOUTH AFRICANS (2) Barlow Rand, Gold Fields SA, SPIRITS, WINES & CIDERS (2) Grand Met., Matthew Clark, SUPPORT SERVS (14) TELECOMMUNICATIONS (2) GN Gt. Nordic, Securicor N-V, TEXTILES & APPAREL (6) Abbeycrest, British Mohair, Forminster, Hamlet, Jacques Vert, Parkland, TRANSPORT (18) WATER (2) Bristol Water, York Waterworks, AMERICANS (2) Bougainville, Varity, CANADIANS (2) Inco, Rio Algom, SOUTH AFRICANS (1) Tiger Oats
NEW LOWS (4).
GILTS (2) Treas. 10pc '94, Treas. 14½pc '94, LEISURE & HOTELS (1) Tanjong, TEXTILES & APPAREL (1) Campari.

EQUITY FUTURES AND OPTIONS TRADING

An erratic and less confident performance from derivatives markets took its toll of equities again yesterday, *writes Terry Byland.*

The March contract on the FT-SE 100 Index undermined the stock market at first, when it failed to hold a premium of 15 to 20 points against cash, and caused share prices to hurriedly abandon early gains.

The contract continued to drift down for much of the remainder of the session, before rallying as Wall Steet opened in good form. At the day's worst, the March contract was at a discount of several points against its fair value premium, currently estimated at 13 points, unchanged from last week. But by the close, a premium of 9 points to fair value had been restored. Volume slipped below last week's levels to record 12,635 bargains.

Dealers pointed out that there had been no opportunity for the arbitrage operations between futures and underlying stocks which enlivened both markets last week. Yesterday, the locals, or independent traders, found themselves left to trade amongst themselves. The big securities houses were content to tidy up any outstanding trading situations positions but uninterested in opening up new ones.

Business in traded options was reduced, the final total of 33,868 contracts contrasting with nearly 55,000 on Friday. Volume in the Footsie contract dipped to 9,136 from 13,717, while the Euro FT-SE contract returned 3,314.

Among individual contracts, Ladbroke, the leisure, bookmaking and hotels group, topped the list with 3,297 as investors continued to reasses the implications of the departure of the chairman.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3482.0	3463.0	-2.0	3482.0	3443.0	12656	68002
Jun	3460.0	3475.0	-2.5	3474.0	3457.0	12	4277
Sep	-	3493.0	-2.0	-	-	0	200

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3440) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Jan	253½	1½	204½	2½	155½	4	108½	8	67	17	33	34½	13½	66½	5	110
Feb	268½	8	222½	12	178½	17½	137	26	100	39	69½	59	45	86	27½	120½
Mar	276	15½	233	22	191	29½	153½	42	118	57	86½	77	64	103	42½	133½
Apr	284½	23½	242	30	203½	41	168	53½	134	71½	104½	92½	80½	119	59½	149
Jun†	306½	38			231	60½			165½	94			111½	140½		

Calls 3,800 Puts 5,094

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Jan	324½	½	274½	1	224½	2½	175½	4	128½	5	84½	10	48½	24½	23	46½
Feb	338½	3½	291	5	234	8	199	12½	157	20	118	31	84	46½	55½	68
Mar	345	10			255	19			173	36			105	67		
Jun	368	26			287	42½			214	67			152½	103		
Sept†	398	43			321½	62½			253	90½			191½	125½		

Calls 2,703 Puts 617 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	7,400	60¼	-1½
Abbey National†	2,400	486	-2
Albert Fisher	882	67	-3
Allied-Lyons†	1,200	669	
Anglian Water†	1,000	555	
Argos	920	387	+4
Argyll Group†	2,900	298	-7
Arjo Wiggins†	3,700	254	+8
Assoc. Brit. Foods†	186	571	-2
[illegible]	[illegible]	[illegible]	[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Jan 10	Day's chge%	Jan 7	Jan 6	Jan 5	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3440.6	-0.2	3446.0	3403.0	3379.2	2773.4	3.42	5.07	24.53	0.71	1260.34
FT-SE Mid 250	3901.4	-0.3	3912.5	3849.0	3820.4	2889.9	3.13	4.87	25.33	4.04	1416.05
FT-SE Mid 250 ex Inv Trusts	3898.0	-0.3	3908.8	3841.2	3808.4	2911.8	3.24	5.23	23.79	4.03	1409.47
FT-SE-A 350	1722.6	-0.2	1725.8	1702.8	1690.7	1363.0	3.35	5.02	24.71	0.68	1292.53
FT-SE SmallCap	1930.79	+0.7	1916.89	1896.99	1887.96	1413.55	2.83	3.57	36.01	0.98	1464.72
FT-SE SmallCap ex Inv Trusts	1884.79	+0.8	1870.42	1845.48	1836.75	1422.34	3.02	3.97	33.12	1.03	1432.29
FT-SE-A ALL-SHARE	1703.84	-0.1	1705.99	1683.61	1671.92	1342.90	3.32	4.93	25.22	0.68	1301.13

■ FT-SE Actuaries All-Share

	Jan 10	Day's chge%	Jan 7	Jan 6	Jan 5	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2627.74	-0.7	2646.76	2624.85	2551.16	1910.70	3.36	4.85	25.53	0.00	1025.02
12 Extractive Industries(4)	3901.49	+0.4	3884.86	3782.10	3814.08	3147.20	3.20	4.69	25.23	0.00	1049.92
15 Oil, Integrated(3)	2560.04	-0.9	2582.60	2574.78	2484.02	1767.30	3.42	4.99	24.98	0.00	1017.95
16 Oil Exploration & Prod(11)	1834.55	-1.3	1859.14	1832.99	1761.82	1766.20	3.12	3.75	34.27	0.00	1040.27
20 GEN MANUFACTURERS(283)	2079.77	....	2079.71	2035.09	2020.83	1607.40	3.55	3.24	42.48	0.69	1029.21
21 Building & Construction(31)	1359.80	-0.2	1362.30	1329.69	1319.08	814.20	2.60	1.28	60.00†	0.29	1040.16
22 Building Matls & Merchs(29)	2258.15	-0.1	2260.37	2210.45	2198.06	1390.90	3.12	2.60	52.94	1.14	1034.66
23 Chemicals(20)	2383.78	-0.2	2389.73	2333.19	2298.84	2034.10	3.87	0.37	‡	0.00	1024.04
24 Diversified Industrials(16)	2064.63	-0.2	2068.97	2017.42	2003.57	1770.30	4.30	4.33	29.88	1.14	1020.01
25 Electronic & Elect Equip(34)	2128.07	+0.8	2111.65	2057.79	2070.62	1673.50	3.52	5.53	22.16	0.09	1010.56
26 Engineering(72)	1852.01	-0.2	1855.38	1834.01	1816.40	1324.40	2.92	2.09	77.42	0.92	1033.76
27 Engineering, Vehicles(12)	2277.55	-0.8	2296.19	2216.93	2183.62	1765.80	4.55	3.38	41.40	0.00	1070.51
28 Printing, Paper & Pckg(27)	2705.80	+0.7	2685.78	2645.74	2623.40	2168.50	3.00	4.64	26.00	0.37	1039.04
29 Textiles & Apparel(22)	1905.42	+0.9	1887.53	1855.07	1843.36	1829.40	3.43	5.18	24.29	0.00	1049.07
30 CONSUMER GOODS(94)	3030.87	+0.2	3023.85	3006.12	2967.79	2949.70	3.68	6.48	18.21	1.33	1008.12
31 Breweries(17)	2328.82	-1.6	2366.50	2331.69	2292.64	2154.20	3.91	7.31	16.84	9.65	1020.33
32 Spirits, Wines & Ciders(10)	3137.51	+0.9	3110.60	3085.53	3028.78	2917.90	3.38	6.13	19.19	0.24	1019.87
33 Food Manufacturers(24)	2541.70	-0.8	2563.43	2538.08	2480.72	2289.40	3.57	6.63	17.89	0.06	1033.35
34 Household Goods(12)	2778.85	-0.8	2802.42	2821.74	2807.97	2447.00	3.09	6.61	17.53	0.00	970.46
36 Health Care(20)	1832.46	+0.4	1824.64	1806.50	1777.26	1858.40	2.92	5.23	22.65	0.67	1037.82
37 Pharmaceuticals(10)	3213.47	+1.8	3157.93	3175.22	3172.95	3538.00	3.74	6.33	18.41	0.00	985.96
38 Tobacco(1)	4651.75	-1.4	4718.86	4622.39	4536.50	4050.10	4.33	6.84	17.03	0.00	1001.81
40 SERVICES(221)	2137.72	-0.3	2143.29	2116.05	2099.41	1771.50	2.77	5.25	23.28	1.34	1025.48
41 Distributors(31)	3047.89	+0.1	3046.19	2986.40	2963.29	2404.10	2.75	5.12	23.71	0.49	1029.78
42 Leisure & Hotels(22)	2228.51	+0.3	2221.57	2174.58	2130.29	1724.40	3.64	5.27	23.67	8.84	1078.10
43 Media(40)	3046.84	+0.1	3043.68	3007.58	2967.84	2161.70	2.01	4.06	29.48	1.22	1036.73
44 Retailers, Food(17)	1816.80	-1.4	1844.66	1826.45	1765.14	2184.40	3.37	6.78	14.14	0.00	1054.82
45 Retailers, General(43)	1877.61	-0.3	1883.14	1877.37	1895.19	1475.30	2.53	4.93	25.52	0.44	979.72
48 Support Services(40)	1739.56	+0.2	1736.23	1697.19	1672.09	1473.90	2.25	6.56	17.44	0.08	1036.70
49 Transport(18)	2689.48	-0.4	2701.07	2646.68	2626.62	1923.60	3.11	3.38	33.44	0.00	1029.96
51 Other Services & Business(12)	1229.56	+0.8	1219.25	1208.26	1196.80	1361.90	3.86	3.50	40.64	0.00	1034.02
60 UTILITIES(36)	2680.07	-0.3	2688.64	2637.85	2638.86	1977.40	3.71	7.96	15.16	1.43	1000.37
62 Electricity(17)	2494.42	-0.1	2497.00	2439.86	2440.41	1554.50	3.32	9.99	12.30	2.70	1000.74
64 Gas Distribution(2)	2334.97	-1.5	2369.77	2320.18	2265.07	1855.10	5.02	7.28	17.17	0.00	1031.65
66 Telecommunications(4)	2399.97	-0.1	2402.35	2367.79	2376.19	1852.80	3.29	5.88	20.84	0.00	998.12
68 Water(13)	2022.65	-0.2	2027.35	1981.09	2016.75	1652.80	4.57	11.19	9.87	3.46	973.18
69 NON-FINANCIALS(632)	1813.71	-0.1	1816.17	1790.95	1774.15	1491.03	3.39	5.48	22.40	0.78	1244.87
70 FINANCIALS(108)	2585.21	-0.2	2589.17	2570.93	2578.15	1684.90	3.20	2.95	49.51	0.45	983.12
71 Banks(10)	3353.87	....	3354.79	3319.85	3379.23	2051.40	2.79	3.41	39.70	0.00	969.61
73 Insurance(18)	1570.31	-1.0	1586.30	1565.52	1522.89	1296.50	4.23	‡	‡	0.00	1034.57
74 Life Assurance(6)	2854.22	-0.5	2867.57	2814.91	2725.86	2228.90	4.09	4.26	29.52	0.00	1048.61
75 Merchant Banks(6)	3479.44	+0.3	3470.49	3426.31	3393.78	1888.70	2.55	6.28	19.52	0.00	1019.52
77 Other Financial(28)	1992.19	+0.3	1985.40	1965.12	1960.72	1213.70	3.12	5.32	23.84	3.90	1036.12
79 Property(40)	1776.21	+0.2	1772.55	1765.65	1770.02	998.20	3.49	3.14	43.66	1.21	990.33
80 INVESTMENT TRUSTS(119)	3063.69	+0.2	3056.53	3038.57	3046.52	2041.30	2.06	1.65	60.35	2.48	1012.39
99 FT-SE-A ALL-SHARE(859)	1703.84	-0.1	1705.99	1683.61	1671.92	1342.90	3.32	4.93	26.22	0.68	1301.13

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	45	28
Other Fixed Interest	12	0	3
Mineral Extraction	38	73	98
General Manufactures	249	101	332
Consumer Goods	83	48	83
Services	184	92	251
Utilities	12	24	10
Financials	168	65	161
Investment Trusts	211	33	222
Others	61	47	21
Totals	1,002	529	1,209

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	53.3	102	100	Aberforth Sp C	100½		-	-	-	-
100	F.P.	28.8	102	92	Abtrust Lloyds	96		-	-	-	-
100	F.P.	94.6	110	96	CLM Insce	110	+3	-	-	-	-
§155	F.P.	285.5	185	178	Chelsfield	182½	-1½	MN2.4	-	1.6	-
260	F.P.	332.7	320	268	DFS Furniture	319	-1	L6.4	2.1	2.5	-
[illegible]											

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
48	Nil	17/2	13pm	8pm	Anglo Irish	13pm	+1
325	Nil	17/1	103pm	83pm	Bemrose	103pm	
65	Nil	10/1	11pm	6pm	Bourne End	7pm	+1
36	Nil	10/1	4pm	2pm	Hillclare	3pm	+½
25	Nil	8/2	8pm	6pm	Sheldon Jones	8pm	
152	Nil	14/1	23pm	11pm	Wyevale Garden	19pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Jan 10	Jan 7	Jan 6	Jan 5	Jan 4	Yr ago	*High	*Low
Ordinary share	2614.9	2617.4	2580.5	2546.2	2552.0	2150.3	2617.4	2124.7
Ord. div. yield	3.56	3.56	3.62	3.67	3.65	4.36	4.52	3.56
Earn. yld. % full	4.03	4.04	4.09	4.15	4.13	5.99	6.38	4.03
P/E ratio net	31.27	31.27	30.82	30.39	30.52	21.29	31.27	19.40
P/E ratio nil	28.99	28.99	28.57	28.17	28.29	19.87	28.99	18.14
Gold Mines	259.4	268.9	271.7	275.9	277.9	62.4	277.9	60.0

*For 1993/94. Ordinary share index since compilation: high 2617.4 07/01/94, low 49.4 26/6/40
Predecessor Gold Mines index since compilation high: 734.7 16/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2631.8	2623.1	2614.8	2608.4	2611.0	2614.9	2616.0	2606.9	2614.7	2633.4	2605.6

	Jan 10	Jan 7	Jan 6	Jan 5	Jan 4	Yr ago
SEAQ bargains	45,771	41,498	38,415	38,010	43,876	31,682
Equity turnover (£m)†	-	2247.1	2017.4	1852.1	1476.1	1294.5
Equity bargains†	-	49,832	43,981	42,676	46,872	36,959
Shares traded (ml)†	-	939.0	899.7	1084.4	702.1	584.1

† Excluding intra-market business and overseas turnover.

TRADITIONAL OPTIONS

First Dealings	Dec. 20	Last Declarations	March 24
Last Dealings	Jan. 7	For settlement	April 5

Calls: Ashley (L.), Beta Global Wts., Clarkson (H.), Coal Inv., Coutts Cons., Electron Hse., Fleming Jap. Wts., Hartstone, Higgs & Hill, Lonrho, Lucas Wts., ML Labs., Proteus, Prov. Financial, Tadpole Tech., Titaghur, Tullow Oil. Puts: Conrad, Electron Hse., Higgs & Hill. Puts & Calls: Argyll, ASDA, Clarkson (H.), Ex-Lands, Glaxo, Holiday Chem., Storm Group, Wellcome.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24¾	–⅛	£25¼	£18¼	6,896	4.2	13.2
ANZ A$		219	+1	226½	130	2,865	4.1	ϕ
Abbey National	†□	499	–2	524	345	6,387	3.0	18.6
Allied Irish I£	♣†a□	307	–5	314	179	2,621	3.4	15.7
Anglo Irish I£	M□	63xr	—	*65	38	153.3	6.7	ϕ
Asahi Y		884	+3	944	416	16,408	0.7	–
Banco Bil Viz Pta		£14⅝	+⅛	£17¾	£13⅞	3,378	6.7	6.5
Banco Sant Pta		£28½	–⅓	£36	£24⅓	3,528	4.4	11.3
Bank Leumi (UK)		375	—	376	325	29.6	5.7	–
Bk Ireland I£	♣az□	315	—	*318	177	1,467	4.0	23.2
Bank Scotland	♣†□	224	+1	240½	116½	2,800	2.6	30.4
9¼pc Pf		139	—	140¼	117¾	139.0	8.3	–
9¾pc Pf		146	—	147¼	123½	146.0	8.3	–
Barclays	‡N□	609	–10	662	362	9,878	2.6	–
Dai Ichi Kan Y		1093	+7	1686	867	34,165	0.5	60.4
Deutsche DM		£336⅞	+2½	£349⅞	£250½	16,820	1.8	–
Espirito Santo		£23⅝	+⅛	£24	£16½	262.8	3.5	5.6
First Nat Fin	□	68½	+4½	*85	45	112.0	0.9	–
6.3pc Cv Pf		89xd	+7	*91	55	5.78	8.2	–
7pc Cv Pf		130½xd	+6½	167½	106	61.9	6.7	–
Fuji Bank Y		1401	—	1651	875	40,565	0.4	–
HSBC HK	†□	940	+4	1007	474	18,045	2.7	22.5
HSBC (75p Shs)	†□	926	+6	987	490	7,602	2.7	22.2
Lloyds	†□	637	+3	680	492	8,179	3.7	18.2
Mitsubishi Y		£16⅝	+⅛	£19¼	£11⅞	47,155	0.3	–
Mits Tst & Bk Y		£7⅞	+¼	£10⅛	£4⅝	9,604	0.7	11.8
Mitsui Tst & Bk Y		540	+4	852	374	6,470	1.0	18.4
Nat Aust A$		562	—	575	322	7,385	4.0	ϕ
NatWest	†□	610	–5	634	398	10,138	3.6	37.1
Ottomane FFr		£29¼	+¼	£29¼	£23¼	143.6	5.2	8.4
Ryl Bk Scotland	♣N□	464	–1	470	307	3,684	3.0	21.0
Sakura Y		£9	+⅛	£11	£5¾	29,824	0.6	56.2
Sanwa Y	‡	£12½	+⅛	£16	£7¾	30,257	0.4	–
Standard Chartd	†□	1209	–2	1263	576	2,879	2.1	–
Sumitomo Y		£12	+½	£16¼	£8⅞	37,688	0.4	25.8
Sumitomo Tst Y		£7	+⅛	£9⅞	£4⅞	8,706	0.8	54.9
TSB	□	259	+5	262	145½	3,931	3.1	–
Tokai Y		£7	+⅛	£9⅞	£4⅞	14,217	0.8	48.7
Toyo Tst & Bk Y		620	+19	840	417	4,872	0.6	55.3
Westpac A$		209	+2	214	121	3,664	2.6	ϕ
Yasuda Tst Bk Y	‡	467	+12	690	343	5,151	1.0	41.6

BREWERIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	6¼	+¼	16½	4½	22.1	–	–
Bass	ϕN□	569	–19	647	441	4,938	4.3	15.4
Boddington	†□	282	+1	299	189	340.1	3.4	18.4
Burtonwood		183	–1	184	123	38.1	3.3	15.3
Eldridge Pope A	♣	156xd	+1	159	75	30.3	2.8	ϕ
Fosters A$		63	—	70½	50	2,027	4.3	ϕ
Fuller STA	♣†	435xd	—	435	338	68.3	2.2	18.6
Gibbs Mew	♣†	403	—	403	148	25.9	2.6	19.8
Greenalls	♣ϕN□	459xd	–2	475	347	957.8	3.4	15.8
Greene King	†N□	550xd	–1	575	505	232.8	2.8	15.4
Grosvenor Inns	♣	143	—	148	78	11.6	3.7	19.2

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
BIT Capital	□	107	+1	129	100	0.8	214.0	12.8
2½pc Cv Ln 2000		£104½	+1	£105½	£100½	1.4	-	-
Radiotrust	□	75	+2	75	47	-	59.0	-28.2
Rights & Iss Inc	†	153	—	154	114	8.0	-	-
Cap		475	—	475	308	2.2	534.6	11.2
Riv & Merc Am Inc		115	—	115	108	8.6	-	-
Cap	□	34	—	35	27	-	47.1	28.9
Warrants		14	—	14	11	-	-	-
Riv & Mer Ext	N□	133	+2	133	87	7.3	135.1	5.8
Warrants		31	+1	31	13	-	-	-
Zero Div Pf		117½	—	117½	103	-	-	-
Riv & Mer Geared		116	+1	116	61	8.1	-	-
Prfd Cap 1999		34½	—	34½	18	-	40.6	15.4
Riv & Merc Smlr	N□	148	—	148	85	3.4	142.4	-3.6
Warrants		51	—	53	22	-	-	-
Riv & Merc Tst Inc	□	125½	—	127	108	9.2	-	-
Cap	□	138	+1	138	55	-	257.3	46.4
Warrants		32	—	33	8	-	-	-
Do. Stppd Prf	N	182	—	182	147	4.8	-	-
River Plate Inc	N□	112	—	119	98	9.9	-	-
Cap		104	+1	104	26	-	198.3	47.5
Warrants		8½	—	8½	1	-	-	-
Zero Div Pf		84	—	84	77¼	-	-	-
St Andrew		295	+1	295	214	3.2	322.3	8.5
St David's Inc	M	142	—	153	123	12.8	-	-
Cap		208	+2	208	76	-	356.1	42.7
Zero Prf		150	—	150½	131	-	-	-
SPLIT Inc		198	—	278	175	21.1	-	-
Cap		1225	+5	1225	820	-	1472.8	17.1
Schroder Korea Fund		963	-6	969	461	0.1	-	-
Warrants		508	-4	574	160	-	-	-
Schroder Split Inc	M□	120	—	127	102	6.7	-	-
Capital	□	30½	—	33	18	-	-	-
Zero Div Pf		113	—	113	99	-	-	-
Scot American	♣†□	171½	-1	174	131	3.4	192.1	10.9
Scot East	♣†□	90	-1	92	63½	2.1	100.9	10.8
Scottish Inv	♣□	240xd	-½	240	183	2.5	277.3	11.3
Warrants	□	96	+1	98½	38	-	-	-
[illegible]								

LEISURE & HOTELS - Cont.

	Notes	Price	+ or -
Queens Moat	N	47¼♯	—
7pc Cv Pf		1045	—
7¾pc Cv Pf		859	—
Ramsden's (H)	♣	210	—
Rank Org.	♣□	1013	-21
8¼p Cv Pf		158	-½
Regal Hotel	♣□	1½	—
Resort Hotels		454	—
Ryan Hotels I£	□	22	+2½
Savoy A		798	-2
Spear (JW)	†	650	—
Stakis	♣q□	71	+6
Stanley Leis	□	324	—
Sunleigh	♣□	8	+½
Surrey	♣♣□	1¼	—
Tanjong		345¼	—
Thorn EMI	N□	1062xd	+9
Ticketing Grp	♣□	2¼	—
Tomorrows Leis	♣	16	—
Tottenham	♣N	97	—
Vardon	†□	113	—
Wembley	†□	16½	—
Zetters		113	—

LIFE ASSURANCE

	Notes	Price	+ or -
AEGON Fl	†	538	+13
Britannic	†N□	463	+2
Irish Life I£	□	231	+6
Legal & Gen	†N□	533	-2
Liberty Life Africa R	†ns	1230	-17
Lincoln Nat $		228	-⅝
Lloyds Abbey	□	461	+3
Lon & Man	†□	380	+2

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£13½	---	£13½	£7½	809.4	5.2	11.2
Barlow Rand		£4xc	---	£10⅝	£4	785.4	8.6	♦
Gold Fields SA R		1744	-24	1800	725	1,682	2.3	28.9
NK Props	sa	90	---	97	58	3.62	15.1	♦
SASOL	♥	289	-5	306	215	1,637	5.4	-
SA Brews		1490	-9	1621	753	8,060	1.8	24.6
Tiger Oats		838	+25	838	513	1,258	1.9	17.7
Tongaat-Hulett	†	469xd	-3	472	212	351.0	3.3	13.1

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ♯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xθ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Dec 31	141.74	147.79	—	2.47
(Accum Units)	158.35	165.11	—	2.47

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	999.4	1051.9	+4.5	–
Higher Income Ser 5	1078.8	1135.5	+4.2	–
Property Ser 5	532.9	560.4	-0.1	–
Fixed Interest Ser 5	436.7	459.1	+1.0	–
Index Lnkd Secs Ser 5	180.6	189.5	+0.6	–
Gilt Deposit Ser 5	288.2	303.3	–	–
Nth America Ser 5	438.2	461.2	-1.1	–
Far East Ser 5	657.6	697.4	+6.2	–
Europe Ser 5	366.5	385.7	+2.4	–
International Ser 5	585.3	625.0	+2.0	–
Balanced Ser 5	710.3	753.9	+2.7	–
Reserve Ser 5	149.4	157.2	+0.1	–
Opportunity Ser 5	164.9	173.5	+0.6	–
Distribution Ser 5	110.1	115.6	+0.4	–
Pens Equity Ser 3 (2)	1398.7	1470.2	+12.7	–
Pens Higher Inc S 3 (2)	339.6	357.4	+4.3	–
Pens Fixed Int S 3 (2)	573.5	603.6	-0.3	–
Pens Index-Linked Sec S 3 (2)	244.0	256.8	-0.9	–
Pens Property S 3 (2)	486.0	511.5	–	–
Pens N America S 3 (2)	192.7	202.8	-1.5	–
Pens Far East S 3 (2)	325.9	343.0	-4.7	–
Pens Europe S 3 (2)	203.2	213.8	+0.2	–
Pens Overseas S 3 (2)	835.4	879.4	-5.0	–
Pens Balanced S 3 (2)	820.8	863.9	+2.7	–
Pens Cash S 3 (2)	418.8	440.9	–	–
Pens DAF Series 3(2)	234.5	246.8	–	–

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Royal Heritage Life Assurance Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Funds				
British	407.1	428.6	-2.7	-
European	251.8	265.1	+2.2	-
Frontier Markets	240.0	252.7	-1.2	-
Global Bond	130.1	136.5	—	-
Gold Intl Resources	99.5	104.8	-3.1	-
High Inc	323.2	340.3	+7.8	-
Hong Kong	530.3	558.2	+10.3	-
Income	465.2	489.7	+1.0	-
Japan	405.2	426.6	-5.5	-
UK Smlr Cos	339.9	359.9	+10.0	-
Man Gth	497.7	523.9	+4.1	-
Global Inc & Gwth	176.0	185.3	-8.0	-
Pacific Growth	382.8	403.0	-36.6	-
INVESCO MIM				
European Smaller	187.7	197.6	+3.3	-
Sth & East Asia Gwth	398.7	419.7	+6.2	-
Inc Growth	335.7	353.4	+2.5	-
Japan Smlr Cos	242.2	255.0	+1.6	-
Man Growth	266.4	280.5	-8.0	-
Gilt	89.1	93.8	+0.2	-
Perpetual Funds				
International Growth	178.6	188.0	+1.0	-
American Growth	223.0	234.8	-1.2	-
Intl Emerging Cos	271.3	285.6	+0.1	-
European	203.5	214.3	+1.6	-
Managed	207.1	218.0	+1.4	-

Royal Life Insurance Ltd
New Hall Place, Liverpool L69 3HS 051-239 3000

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Shield Fd.	983.6	1041.0	—	-
Royal Life (Unit Linked Assurances) Ltd				
Managed Fund	392.4	413.0	+1.4	-
Equity Fund	558.1	594.8	+6.1	-
Property Fund	306.4	322.5	—	-
International Fund	484.9	510.4	+4.3	-
Gilt Fund	383.3	403.4	+1.7	-
Money Fund	216.6	227.9	—	-
United States Fund	293.8	287.1	-0.5	-
Pacific Basin	304.8	320.8	+2.8	-
Royal Life (Unit Linkd. Pension Fds) Ltd				
Exempt Man Fd Acc	483.5	508.9	+3.9	-
Exempt Equity Fd Acc	852.4	897.2	+11.8	-
Exempt Prop Fd Acc	315.2	331.7	-0.7	-
Exempt Intl Fd Acc	794.3	836.1	+7.2	-
Exempt Gilt Fd Acc	457.0	481.0	+2.0	-

Scottish Provident Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Other Funds				
B&B Select Managed	127.0	133.7	—	-
SMM Superior Growth	230.6	242.8	+2.1	-
SMM Superior Distribution	119.5	125.8	+0.9	-
KBJ Howes Managed Pens	137.3	144.6	+1.2	-
Capital Income & Growth	150.8	158.8	+0.6	-
Cap Retirement P'ffolio	212.7	223.9	+0.3	-
JRJ Managed Pens	187.4	197.3	-0.3	-
Yorkshire Retirement P'folio	144.0	151.6	+1.2	-
Invest Bureau Inc & Gwth	119.9	126.2	+1.1	-

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Pol 1 Jan 7	983.0	989.0	—	-
Inv Pol 2 Jan 7	904.4	952.1	—	-
Inv Pol 3 Jan 7	868.2	914.0	—	-
Inv Pol Cash Ser 2 Jan 7	304.7	320.9	—	-
Inv Pol Cash Ser 3 Jan 7	300.9	316.8	—	-
Mixed Fund	473.2	498.2	-2.3	-
Equity Fund	561.3	590.9	+2.0	-
Property Fund	224.4	236.3	-0.1	-
International Fund	504.3	531.0	+3.7	-
Fixed Int. Fund	402.1	423.4	+1.1	-
Index Stk. Fd	211.4	222.7	+0.7	-
Cash Fd.	221.7	233.4	—	-
Pens. Mixed Fd. Ord.	633.4	666.8	+0.5	-
Pens. Equity Fd. Ord.	758.3	798.2	-1.2	-
Pens. Prop. Fd. Ord.	304.2	320.3	—	-
Pens. Int. Fd. Ord.	656.5	691.1	+4.7	-
Pens.Fxd.Int.Fd.Ord.	602.1	633.9	+1.7	-
Pens.Ind.Stk.Fd.Ord.	248.2	262.4	+0.9	-
Pen. Cash Fd. Ord.	338.5	356.4	+0.1	-
Building Society	97.4	102.7	+0.1	-
PM Man	3055.9	3055.9	+16.4	-
PM St Ex	3253.2	3253.2	+16.4	-
PM St Ex Eq	139.3	139.3	+0.8	-
PM St Ex FI	151.8	151.8	+0.5	-
PM Property	279.6	279.6	+0.2	-
PM Pens Protection	214.7	214.7	+1.8	-
PM IL Protection	132.4	132.4	+0.4	-
PM Cash	386.0	386.0	+0.2	-

Skandia Life Assurance Co Ltd (z)
Skandia Hse, Portland Terr, Southampton 0703 334411
Skandia Price Line 0800 181336

Life Managed Funds

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Scottish Amicable

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Allied Dunbar International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Chase de Vere PLC

Equitable Life (International)

Eagle Star Intl Life

Eurolife Assurance Group

Finance International Ltd

Isle of Man Assurance Ltd

Lebrow International Group

Prudential-Bache Capital Intl Assurance Ltd

Royal Life Intl Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Mccartney & Dowie Invest Mngt Plc

Marsh Financial Management PLC

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada (Offshore) Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Bellevest Management (Guernsey) Ltd

CBC Fund Managers (Guernsey) Ltd

Dresdner Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Rosberlin Fund Managers (Guernsey) Ltd

Ravelet Throgmorton Mngmt Ltd

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Guernsey

Rothschild Asset Mngt (CI)

Sand International Ltd

Schroder Investment Mngt (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisers (Guernsey) Limited

Wardley Fung Nikko Inv Adv Gsy Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Baring International Fd Mngrs (Ireland) Ltd

Gartmore Fund Managers (Ireland) Ltd

Guinness Flight Intl Fund Mgrs

Lombard Odier Global Fund

Perpetual International Funds Plc

Ulster Bank Investment Services

Yellow Sea Investment Company PLC

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd (z)

Profile International Fund Plc

Scottish Value Management (Ireland) Ltd

Sun Life International (Ireland) Ltd

Swiss Life Investment Fund - Protean (z)

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd (z)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Carr Sheppards International Fund Ltd

Gartmore Fund Managers (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Grenfell Protected Plc

Prudential Bache Managed Fund

Dublin Fund Administrators Ltd

Perpetual Asset Management

GT Asset Management (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1000)F

Asset Global Funds Ltd (1200)

CMI Fund Managers (IoM) Ltd

Jubilee Management (IOM) Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers Intl Ltd

Sun Life Investment Mgmt (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisors Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IOM) Ltd

IBI Managers (IoM) Ltd

R & R Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Mgrs (CI) Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mngrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mngrs

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Save & Prosper International

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd

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Citibank - Contd.

Citi Asset Management - Contd.

Lloyds Bank Luxembourg

Credit Suisse

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Columbus Asset Management Ltd

Connaught Investments Ltd (Hong Kong)

The India Magnum Fund NV

Indian Opportunities Fund Ltd

Indosuez Asset Management Asia Ltd

Pakistan Fund

Pequot International Fund Inc

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Putnam Embassy Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Sterling rises again

The pound increased its strength against the German and US currencies yesterday. The move was partly a reflection of a weaker D-Mark but the latest batch of UK economic data confirmed that recovery was on course, *writes Peter John.*

The data showed that net consumer credit was up £290m in November, housing *starts* rose by 11 per cent in the three months to November compared with the previous three, and *the trade deficit with the rest* of the world almost halved in October to £578m.

The figures were good enough, according to many economists, to dampen the possibility of another cut in base rates and thus preserve yields for overseas holders of sterling. On the other hand, they were not strong enough to increase optimism over the pace of recovery.

The pound rose to a closing high of DM2.5880, up more than a pfennig from an early low of DM2.5755 and half a pfennig higher than Friday's close. Against the dollar it lifted to $1.4960 *from* $1.4910 prevviously.

The rise was fuelled by significant buying of sterling by *US institutional funds*, which were encouraged by reports that rate cut prospects were fading.

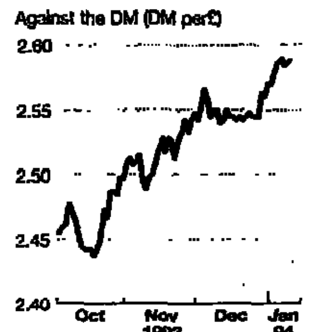
Matched against a trade-weighted index of 16 leading currencies the pound rose to 82.5 per cent of its value in 1985, up from 82.3 per cent previously. Its new level was the highest since October 1992, *shortly after the UK left the* European exchange rate mechanism. Just before "Black" Wednesday, the day that subsequently became redubbed by some as "golden" Wednesday as it triggered a boom in the UK stock and bond markets, the sterling index stood at 90.9.

Ms Françoise Skelley, chart specialist with Credit Suisse, said: "I would expect sterling to test recent peaks of DM2.59 and also to achieve $1.50 against the dollar. $1.51 will be *the big challenge but it looks* quite comfortable at these levels."

However, Mr Tony Norfield, economist with ABN-Amro Bank argues that the market's

Sterling

Against the DM (DM per £)



Source: FT Graphite

■ Pound in New York

Jan 10	Latest	Prev. close
£ spot	1.4930	1.4930
1 mth	1.4899	1.4900
3 mth	1.4851	1.4854
1 yr	1.4712	1.4726

dismissal of an early interest rate cut is misplaced and sterling will become overpriced if it approaches $1.51. He anticipates the pound falling back to $1.46 in the spring, especially if the US Federal Reserve raises interest rates.

● General belief that UK *interest rates are not poised to* fall from their present 5.5 per cent soon was also reflected in the money markets where the *short sterling contract for* March slipped five basis points to 94.70. Government bonds and the London stock market were *also weak – both tend to* rise in anticipation of lower interest rates.

Meanwhile, Bank of England operations were relaxed although the forecast liquidity shortage of £1bn attracted little interest with just under £600m taken up by the close of official dealing. The central bank provided £500m via £400m of band one *bank bills* at 5⅜ per cent and £100m of bills for resale to the market on February 1 at 5$\frac{13}{32}$ per cent.

It also provided a further £38m at 5⅜ per cent and £60m of late unspecified assistance.

● The dollar suffered from mixed perceptions after disappointing US employment figures prompted heavy selling at *the end of last* week. Investors were awaiting US production and price data later this week and although dealers said that the prospect of encouraging figures was already priced into the currency, it gained some ground against the Japanese yen, lifting to Y112.20 from Y111.80.

The US and Japanese currencies are both expected to attract interest in the run-up to the latest round of bilateral trade talks later this week.

● The foreign exchange market remained unconvinced by last week's monetary firmness from the German Bundesbank. Many dealers expect the bank's governing council to reduce its *key discount and Lombard* rates some time in January and have continued to sell the D-Mark and buy sterling.

The D-Mark was weak against a number of currencies in early European dealing but recovered towards the close.

● Dealers took yesterday's Swedish budget proposals in their stride having gleaned much of the relevant information from a radio interview last last week given by Ms Anne Wibble, the finance minister. The statement was as upbeat as expected and the krone moved forward again to close at SKr4.6990 against the D-Mark, up from SKr4.7120 previously.

● The Italian Lira was restrained by an impending *vote of no confidence hanging* over the government and slipped to L983.40 to the D-Mark, down from L977.90.

● The Belgian franc was also hit by domestic worries relating to political scandal surrounding a 1988 army purchase of Italian helicopters. It was quoted at BFr20.89 to the D-Mark, down from BFr20.78.

● Concern over *rising inflation* drove the Russian rouble to a three-month low of R1,274 to the dollar from R1,259 last week with dealers predicting further falls this month. The previous low of R1,299 to the dollar was on September 23, just after President Boris Yeltsin dissolved the old parliament and called December elections for a new legislature.

● The Taiwan dollar hit a six-month high against the US dollar in fierce trade and in spite *of central bank intervention* which brought the currency down from its intraday peak. It closed at T$26.4710 against the US currency, up from T$26.5490.

POUND SPOT FORWARD AGAINST THE POUND

Jan 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.2034	+0.0349	966 - 101	18.2101	18.1005	18.2072	-0.2	18.2166	-0.3	-	-	113.5
Belgium	(BFr)	54.0732	+0.4047	350 - 114	54.1114	53.5390	54.1582	-1.9	54.2732	-1.5	54.4932	-0.8	113.3
Denmark	(DKr)	10.0604	+0.0133	531 - 676	10.0676	10.0220	10.0724	-1.4	10.0849	-1.0	10.1199	-0.6	115.3
Finland	(FM)	8.5819	+0.0024	688 - 949	8.6000	8.5410	-	-	-	-	-	-	79.7
France	(FFr)	8.8250	+0.034	209 - 291	8.8291	8.7830	8.835	-1.4	8.8474	-1.0	8.8633	-0.4	108.1
Germany	(DM)	2.5883	+0.0049	874 - 891	2.5935	2.5745	2.5902	-0.9	2.5917	-0.5	2.5909	-0.1	122.7
Greece	(Dr)	372.667	+1.234	305 - 028	372.950	370.510	-	-	-	-	-	-	-
Ireland	(I£)	1.0368	-0.0069	355 - 380	1.0442	1.0356	1.0375	-0.8	1.0385	-0.6	1.0402	-0.3	103.6
Italy	(L)	2545.49	+19.57	461 - 637	2548.50	2521.50	2553.29	-3.7	2563.99	-2.9	2612.19	-2.6	76.3
Luxembourg	(LFr)	54.0732	+0.4047	350 - 114	54.1114	53.5390	54.1582	-1.9	54.2732	-1.5	54.4932	-0.8	113.3
Netherlands	(Fl)	2.8966	+0.007	953 - 978	2.8978	2.8810	2.897	-0.1	2.8953	0.2	2.8848	0.4	118.4
Norway	(NKr)	11.1797	+0.021	763 - 830	11.1925	11.1245	11.1956	-1.7	11.1935	-0.5	11.1799	0.0	85.1
Portugal	(Es)	263.873	+0.799	604 - 141	266.195	262.275	265.268	-6.3	267.888	-6.1	-	-	-
Spain	(Pta)	216.040	+0.104	877 - 203	216.203	214.915	216.85	-4.5	217.95	-3.5	222.14	-2.8	84.0
Sweden	(SKr)	12.1630	-0.0114	534 - 725	12.1850	12.1050	12.19	-2.7	12.2155	-1.7	12.318	-1.3	75.3
Switzerland	(SFr)	2.1940	+0.0022	930 - 949	2.1949	2.1865	2.1915	1.3	2.1865	1.4	2.1621	1.5	117.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.4
Ecu	-	1.3378	+0.0045	368 - 384	1.3384	1.3305	1.3391	-1.3	1.3408	-1.0	1.3439	-0.5	-
SDR†	-	0.924346	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4933	+0.0055	930 - 936	1.4950	1.4890	-	-	-	-	-	-	-
Brazil	(Cr)	535.813	+10.082	720 - 906	537.000	526.000	-	-	-	-	-	-	-
Canada	(C$)	1.9654	-0.0058	647 - 661	1.9695	1.9647	1.9625	1.8	1.9578	1.6	1.9459	1.0	92.4
Mexico	(New Peso)	4.6589	+0.0289	546 - 591	4.6640	4.6330	-	-	-	-	-	-	-
USA	($)	1.4955	+0.005	952 - 957	1.4975	1.4915	1.4924	2.5	1.4876	2.1	1.4745	1.4	67.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1745	+0.0041	733 - 756	2.1810	2.1705	2.173	0.8	2.1708	0.7	2.1708	0.2	-
Hong Kong	(HK$)	11.5524	+0.0334	497 - 550	11.5665	11.5210	11.5319	2.1	11.4985	1.9	11.4071	1.3	-
India	(Rs)	46.9030	+0.1516	835 - 164	46.9620	46.7910	-	-	-	-	-	-	-
Japan	(Y)	167.827	+1.152	747 - 907	168.400	166.370	167.367	3.3	166.527	3.1	162.612	3.1	175.9
Malaysia	(M$)	3.9876	+0.0704	847 - 905	3.9885	3.9190	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6774	+0.0017	753 - 795	2.6795	2.6715	2.6796	-1.0	2.6826	-0.8	2.6844	-0.3	-
Philippines	(Peso)	41.2745	-0.0125	685 - 805	-	-	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6077	+0.0183	064 - 090	5.6150	5.5940	-	-	-	-	-	-	-
Singapore	(S$)	2.3886	+0.009	874 - 897	2.3900	2.3795	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0812	+0.0153	792 - 831	5.0865	5.0660	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3931	+0.0249	845 - 016	6.4290	6.3845	-	-	-	-	-	-	-
South Korea	(Won)	1213.63	+1.11	335 - 391	1215.25	1210.50	-	-	-	-	-	-	-
Taiwan	(T$)	39.5920	-0.0255	779 - 061	39.6400	39.5000	-	-	-	-	-	-	-
Thailand	(Bt)	38.1789	+0.0519	575 - 002	38.2160	38.0860	-	-	-	-	-	-	-

†SDR rate for Jan 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty index
Europe													
Austria	(Sch)	12.1725	-0.017	700 - 750	12.1750	12.1350	12.1975	-2.5	12.2375	-2.1	12.3275	-1.3	103.1
Belgium	(BFr)	36.1585	+0.1515	390 - 780	36.1800	35.8600	36.2885	-4.3	36.4835	-3.6	36.9585	-2.2	103.0
Denmark	(DKr)	6.7273	-0.0135	236 - 310	6.7325	6.7140	6.7493	-3.9	6.7793	-3.1	6.8633	-2.0	104.3
Finland	(FM)	5.7387	-0.0174	309 - 464	5.7515	5.7270	5.7517	-2.7	5.7742	-2.5	5.8125	-1.3	74.8
France	(FFr)	5.9013	+0.0033	995 - 030	5.9040	5.8820	5.9203	-3.9	5.9475	-3.1	6.0113	-1.8	104.7
Germany	(D)	1.7308	-0.0025	305 - 310	1.7320	1.7250	1.7357	-3.4	1.7422	-2.6	1.7572	-1.5	104.5
Greece	(Dr)	249.200	-	000 - 400	249.800	248.300	253.2	-19.3	260.7	-18.5	294.7	-18.3	71.9
Ireland	(I£)	1.4425	+0.0143	410 - 439	1.4440	1.4312	1.4384	3.4	1.4324	2.8	1.4165	1.8	-
Italy	(L)	1702.16	+7.48	185 - 246	1702.75	1689.00	1710.91	-6.2	1723.56	-5.0	1771.66	-4.1	77.1
Luxembourg	(LFr)	36.1585	+0.1515	390 - 780	36.1800	35.8600	36.2885	-4.3	36.486	-3.6	36.9585	-2.2	103.0
Netherlands	(Fl)	1.9369	-0.0018	364 - 374	1.9380	1.9300	1.9411	-2.6	1.9462	-1.9	1.9563	-1.0	103.9
Norway	(NKr)	7.4756	-0.0107	748 - 766	7.5030	7.4505	7.4903	-2.3	7.5133	-2.0	7.5758	-1.3	95.3
Portugal	(Es)	176.450	-0.05	300 - 600	177.820	175.670	177.795	-9.1	179.92	-7.9	187.6	-6.3	94.0
Spain	(Pta)	144.465	-0.41	380 - 550	144.650	143.950	145.31	-7.0	146.51	-5.7	150.665	-4.3	78.7
Sweden	(SKr)	8.1333	-0.0347	283 - 383	8.1670	8.1020	8.1683	-5.2	8.2115	-3.8	8.3543	-2.7	80.7
Switzerland	(SFr)	1.4671	-0.0034	667 - 675	1.4690	1.4620	1.4684	-1.1	1.4698	-0.7	1.4663	0.1	103.9
UK	(£)	1.4955	+0.005	952 - 957	1.4975	1.4915	1.4924	2.5	1.4876	2.1	1.4745	1.4	91.1
Ecu	-	1.1180	-0.0001	175 - 185	1.1223	1.1170	1.1145	3.8	1.1094	3.1	1.097	1.9	-
SDR†	-	1.37136	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	+0.0004	985 - 986	0.9991	0.9985	-	-	-	-	-	-	-
Brazil	(Cr)	358.296	+5.575	293 - 298	358.355	357.950	-	-	-	-	-	-	-
Canada	(C$)	1.3143	-0.0062	140 - 145	1.3185	1.3140	1.3151	-0.7	1.3161	-0.5	1.3198	-0.4	88.1
Mexico	(New Peso)	3.1140	+0.009	130 - 150	3.1150	3.1070	3.1157	-0.7	3.1198	-0.7	3.134	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.7
Pacific/Middle East/Africa													
Australia	(A$)	1.4540	-0.0022	535 - 545	1.4614	1.4530	1.455	-0.9	1.4582	-1.2	1.4657	-0.8	86.3
Hong Kong	(HK$)	7.7250	+0.0001	245 - 255	7.7260	7.7235	7.7275	-0.4	7.7302	-0.3	7.7375	-0.2	-
India	(Rs)	31.3638	-0.0025	600 - 675	31.3700	31.3600	31.4438	-3.1	31.6488	-3.6	-	-	-
Japan	(Y)	112.225	+0.4	190 - 260	112.340	111.450	112.15	0.8	111.94	1.0	110.28	1.7	138.5
Malaysia	(M$)	2.6665	+0.0384	650 - 680	2.6710	2.6250	2.6633	1.5	2.6685	-0.3	2.6965	-1.1	-
New Zealand	(NZ$)	1.7904	-0.0048	892 - 915	1.7930	1.7885	1.7917	-0.9	1.7957	-1.2	1.8062	-0.9	-
Philippines	(Peso)	27.6000	-0.1	000 - 000	27.8500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7499	-0.0001	496 - 501	3.7505	3.7490	3.7544	-1.4	3.7674	-1.9	3.7767	-0.7	-
Singapore	(S$)	1.5972	+0.0007	967 - 977	1.5990	1.5940	1.5956	1.2	1.5938	0.9	1.6032	-0.4	-
S Africa (Com.)	(R)	3.3978	-0.001	970 - 985	3.3990	3.3940	3.4155	-6.3	3.443	-5.3	3.5458	-4.4	-
S Africa (Fin.)	(R)	4.2750	+0.0025	700 - 800	4.3090	4.2700	4.302	-7.6	4.355	-7.5	-	-	-
South Korea	(Won)	811.550	-1.95	500 - 600	812.700	811.450	814.55	-4.4	818.05	-3.2	836.55	-3.1	-
Taiwan	(T$)	26.4750	-0.105	700 - 800	26.5100	26.4600	26.5339	-2.7	26.655	-2.7	-	-	-
Thailand	(Bt)	25.5300	-0.05	200 - 400	25.5500	25.5000	25.57	-1.9	25.625	-1.6	25.85	-1.3	-

†SDR rate for Jan 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Jan 7. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.51	16.32	4.786	1.918	4707	5.358	20.68	488.1	399.5	22.49	4.058	1.849	3.634	2.767	310.3	2.475
Denmark	(DKr)	53.75	10	8.772	2.573	1.031	2530	2.880	11.11	262.3	214.7	12.09	2.181	0.994	1.953	1.487	166.8	1.330
France	(FFr)	61.27	11.40	10	2.933	1.175	2884	3.283	12.67	299.0	244.8	13.78	2.486	1.133	2.227	1.695	190.1	1.516
Germany	(DM)	20.89	3.887	3.410	1	0.401	983.4	1.119	4.320	102.0	83.46	4.699	0.848	0.386	0.759	0.578	64.84	0.517
Ireland	(I£)	52.14	9.701	8.510	2.496	1	2454	2.794	10.78	254.5	208.3	11.73	2.116	0.964	1.895	1.443	161.8	1.290
Italy	(L)	2.125	0.395	0.347	0.102	0.041	100.	0.114	0.439	10.37	8.487	0.478	0.086	0.039	0.077	0.059	6.593	0.053
Netherlands	(Fl)	18.66	3.473	3.046	0.893	0.358	878.5	1	3.859	91.09	74.56	4.197	0.757	0.345	0.678	0.516	57.92	0.462
Norway	(NKr)	48.36	8.998	7.894	2.315	0.928	2276	2.591	10	236.0	193.2	10.88	1.962	0.894	1.758	1.338	150.1	1.197
Portugal	(Es)	20.49	3.812	3.344	0.981	0.393	964.4	1.098	4.238	100.	81.85	4.608	0.831	0.379	0.745	0.567	63.58	0.507
Spain	(Pta)	25.03	4.657	4.085	1.198	0.480	1178	1.341	5.176	122.2	100.	5.630	1.016	0.463	0.910	0.693	77.69	0.619
Sweden	(SKr)	44.47	8.273	7.257	2.128	0.853	2093	2.382	9.194	217.0	177.6	10	1.804	0.822	1.616	1.230	138.0	1.100
Switzerland	(SFr)	24.64	4.585	4.022	1.180	0.473	1160	1.320	5.096	120.3	98.45	5.542	1	0.456	0.896	0.682	76.48	0.610
UK	(£)	54.07	10.06	8.825	2.588	1.037	2545	2.897	11.18	263.9	216.0	12.16	2.194	1	1.965	1.495	167.8	1.338
Canada	(C$)	27.52	5.120	4.491	1.317	0.528	1295	1.474	5.690	134.3	109.9	6.188	1.117	0.509	1	0.761	85.39	0.681
US	($)	36.14	6.725	5.899	1.730	0.693	1701	1.936	7.473	176.4	144.4	8.128	1.467	0.668	1.314	1	112.2	0.894
Japan	(Y)	322.2	59.95	52.59	15.42	6.180	15167	17.26	66.63	1573	1287	72.47	13.08	5.959	11.71	8.915	1000.	7.974
Ecu		40.41	7.519	6.596	1.934	0.775	1902	2.165	8.356	197.2	161.4	9.088	1.640	0.747	1.469	1.118	125.4	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Pesets per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5764	0.5759	-	0.5768	0.5750	68,279	134,085
Jun	0.5729	0.5729	-	0.5729	0.5729	473	6,295
Sep	-	0.5710	-	-	-	1	164

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8970	0.8922	-0.0029	0.8968	0.8921	28,037	96,745
Jun	0.8976	0.8966	-0.0038	0.8976	0.8966	359	4,850
Sep	-	0.9010	-	-	0.9010	12	295

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6806	0.6820	+0.0016	0.6824	0.6800	32,681	47,579
Jun	0.6813	0.6810	+0.0010	0.6820	0.6810	130	439
Sep	-	0.6806	-	-	-	2	30

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4874	1.4876	+0.0036	1.4922	1.4862	20,515	29,690
Jun	1.4850	1.4812	+0.0038	1.4860	1.4850	59	989
Sep	-	1.4800	-	1.4800	-	4	9
Dec	-	1.4780	-	1.4780	-	9	5

EMS EUROPEAN CURRENCY UNIT RATES

Jan 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.777414	-0.006516	-3.86	8.94	26
Netherlands	2.19672	2.16631	-0.00051	-1.38	6.20	-
Germany	1.94964	1.93573	-0.00161	-0.71	5.49	-
Belgium	40.2123	40.3599	+0.1211	0.37	4.35	-3
France	6.53883	6.59585	+0.00331	0.87	3.83	-7
Denmark	7.43679	7.52691	-0.00813	1.21	3.48	-8
Portugal	192.854	197.304	+0.274	2.31	2.37	-15
Spain	154.250	161.552	-0.572	4.73	0.00	-33
NON ERM MEMBERS						
Greece	264.513	278.691	+0.433	5.36	-0.59	-
Italy	1793.19	1901.93	+8.48	6.06	-1.25	-
UK	0.786749	0.749438	-0.001095	-4.74	9.95	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.400	9.43	9.16	9.12	-	-	0.19
1.425	6.98	6.83	6.97	-	0.08	0.48
1.450	4.49	4.60	4.99	-	0.34	0.99
1.500	2.13	2.75	3.33	0.04	0.94	1.81
1.500	0.43	1.42	2.09	0.76	2.04	2.96
1.525	-	0.61	1.20	2.76	3.88	4.56

Previous day's vol., Calls 11,802 Puts 8,392 . Prev. day's open int., Calls 515,503 Puts 452,693

WORLD INTEREST RATES

MONEY RATES

January 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	7¼	7⅛	6⅞	6½	6¼	7.40	5.25	-
week ago	7⅝	7⅛	6⅞	6¼	6⅛	7.40	5.25	-
France	6½	6⅜	6⅜	6⅛	5⅞	6.20	-	7.75
week ago	6.50	6⅜	6⅝	6	5¾	6.20	-	7.75
Germany	6.02	6.05	5.80	5.55	5.20	6.75	5.75	6.00
week ago	6.68	6.05	5.88	5.62	5.25	6.75	5.75	6.00
[illegible]								

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.51	94.46	-0.04	94.51	94.46	20472	223330
Jun	94.99	94.93	-0.06	94.99	94.91	33918	158913
Sep	95.38	95.31	-0.07	95.38	95.30	16259	126152
Dec	95.63	95.56	-0.07	95.63	95.56	9302	95334

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jan 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4¾	5¼ - 5	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5⅜ - 5¼	5$\frac{9}{32}$ - 5$\frac{3}{16}$
Sterling CDs	-	-	5$\frac{11}{32}$ - 5$\frac{9}{32}$	5$\frac{7}{16}$ - 5$\frac{9}{32}$	5$\frac{7}{32}$ - 5$\frac{5}{32}$	5⅛ - 5$\frac{1}{16}$
Treasury Bills	-	-	5$\frac{3}{16}$ - 5⅛	5 - 4$\frac{15}{16}$	-	-
Bank Bills	-	-	5$\frac{3}{16}$ - 5⅛	5⅛ - 5$\frac{1}{16}$	5 - 4$\frac{31}{32}$	-
[illegible]						

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, January 10, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hanwa	10.5m	610	+50	OKI Electric Ind	6.4m	573	+11
Fujitsu Ltd	9.7m	881	+2	Nippon Steel	6.4m	318	+8
Mitsubishi Heavy	9.7m	664	+29	Sumitomo Elec	5.7m	1,410	+20
NEC Corp	9.2m	957	-5	Sumitomo Metal Min	5.6m	929	+22
Fujikura Ltd	8.6m	875	+28	Furukawa Elec	5.1m	626	+9

INDICES

US INDICES

Dow Jones	Jan 7	Jan 6	Jan 5	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3820.77	3803.88	3798.82	3820.77 (7/1/94)	3241.95 (20/1/93)	3820.77 (7/1/94)	41.22 (2/7/32)
Home Bonds	105.16	104.80†	104.85	111.29 (10/12/93)	103.49 (11/1/93)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1799.21	1802.21	1778.83	1802.21 (6/1/94)	1453.84 (4/1/93)	1802.21 (6/1/94)	12.32 (8/7/32)
Utilities	222.98	221.20	224.03	256.46 (31/8/93)	217.14 (8/1/93)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3842.15 (3843.84) Low 3778.83 (3771.52) (Theoretical¶)
Day's high 3826.39 (3812.89) Low 3799.10 (3796.25) (Actual¶)

Standard and Poors	Jan 7	Jan 6	Jan 5	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	469.90	467.12	467.55	470.94 (28/12/93)	429.05 (8/1/93)	470.94 (28/12/93)	4.40 (1/6/32)
Industrials	547.02	544.77	544.88	547.09 (7/1/94)	496.48 (26/4/93)	547.09 (7/1/94)	3.62 (21/6/92)
Financial	44.38	43.52	43.74	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	260.34	259.00	258.31	260.67 (29/12/93)	236.21 (8/1/93)	260.67 (29/12/93)	4.46 (25/4/42)
Amex Mkt Val	479.49	479.00	478.79	484.28 (2/11/93)	395.84 (8/1/93)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	782.94	780.41	778.06	787.42 (15/10/93)	645.87 (26/4/93)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Jan 7	Dec 31	Dec 17	Year ago
Dow Jones Ind. Div. Yield	2.65	2.68	2.67	3.19
	Jan 5	Dec 29	Dec 22	Year ago
S & P Ind. Div. yield	2.38	2.38	2.40	2.58
S & P Ind. P/E ratio	27.72	27.21	27.43	26.85

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	471.30	470.75	-0.80	461.45	470.60	54,744	180,611
Jun	471.80	471.90	-0.55	471.95	471.80	297	3,768
Sep	-	473.10	-	-	473.10	246	792

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Blockbuster	7,024,600	28¼	-1¾
Telefonos	4,716,400	66½	-1¼
Circ City	4,521,600	17¾	+¼
Am Express	4,024,700	29⅝	-⅛
Wal-Mart	3,868,000	24⅞	-⅛
K Mart	3,535,200	20	+½
Merck	3,465,500	37⅞	+½
Adv Micro	3,129,300	18⅞	+⅛
Merry Go Rd	3,014,600	2⅞	-⅛
Am T & T	3,009,500	54½	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Jan 7	Jan 6	Jan 5
New York SE	323.367	363.449	375.134
Amex	21.678	22.488	21.104
NASDAQ	(u)	349.206	349.880
NYSE			
Issues Traded	2,718	2,715	2,738
Rises	1,277	1,060	1,195
Falls	852	1,038	979
Unchanged	589	617	564
New Highs	91	120	112
New Lows	19	25	36

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. FOLLOWING TECHNICAL PROBLEMS AT TELEKURS, HIGH AND LOW INFORMATION SHOWN FOR STOCKS ON THIS PAGE DO NOT REFLECT 1994 DEALINGS. VALUES SHOWN ARE FOR 1993 ONLY. ¥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close January 10

1993/94 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
15	11½	AAR	0.48	3.2	495	579	u15	14⅝	14⅞	
28⅞	12¾	A L Labs A	0.18	1.3	33	381	14½	14	14¼	+¼
67¼	54⅝	AMP	1.60	2.5	22	1351	64¼	63	64	+⅞
72¾	55½	AMR			55	2714	70⅞	69¼	70¾	+1¼
3⅞	1¾	ARX			18	531	u4¼	4	4⅛	+⅛
51½	29⅞	ASA	2.00	3.7	35	1579	u54¼	52⅞	54¼	+1⅝
30¾	22⅝	AbbotL	0.68	2.3	18	10717	30	29⅝	30	
12⅝	8¼	Abitibi Pr	0.50	3.9	8	93	u12¾	12⅝	12¾	+⅜
15⅝	8¼	Acptnoain			21	192	13⅛	12⅞	12⅞	-⅜
36	25½	ACE Ltd	0.40	1.4	5	291	29⅞	29	29½	-¼
12⅝	10¾	ACM Gvt In	1.06	8.6		227	12¼	12⅛	12¼	
10½	9⅛	ACM GvOpp x	0.80	8.3		176	9⅝	9½	9⅝	
10⅝	8¾	ACM Gvt Sp	0.95	9.6		638	10⅛	10	10	-¼
12¼	10½	ACM Gvt Se	1.04	8.8		435	11⅞	11¾	11¾	
12¼	9⅝	ACM Man x	1.08	9.4		273	11½	11⅜	11½	+⅛
9⅜	8⅝	ACM Managd x	0.72	8.0		78	9⅛	9	9	
12⅜	7¾	AcmeCle	0.44	4.5	12	84	9⅞	9⅝	9¾	-⅛
11⅜	6⅜	Acme Elect			36	10	8⅛	8⅛	8⅛	+⅛
27⅝	18⅜	Acordia	0.44	1.8	13	118	25	24⅝	24⅝	-⅝
16	10⅜	Acuson			59	543	13⅛	13	13	-¼
21¾	17¾	Adams Expr	0.52	2.8	0	130	18⅝	18⅛	18⅝	-⅛
68¼	45½	Ad Micro	3.00	6.3		76	47⅞	47¼	47½	-⅜
32¾	17	AdvMic	3.00	16.6	6	8960	18⅝	17⅞	18⅛	-¼
8⅛	5½	Advest Grp	0.16	2.4	12	1654	6¾	6⅝	6¾	
24¾	14¼	Advo Inc	0.08	0.4	86	83	18⅝	18⅛	18¼	
58½	41⅛	Aegon ADR	1.23	2.2	12	106	57¼	56½	56¾	+¾
68¼	43⅜	AetnaL	2.76	5.0	34	6243	56½	55¼	55¾	-½
34	24¾	Aflac	0.40	1.5	12	2490	26⅞	26½	26½	-⅜
22⅛	16¾	Ahmnsn	0.88	4.5	9	3300	19⅞	19⅝	19¾	
7¾	3⅝	Aileen Inc			4	1021	3⅜	d2½	3	-⅞
48½	37½	AirPrC	0.82	2.0	26	1482	46½	45¾	46¼	+½
35¼	18⅛	Airbne Frt	0.30	0.8	28	870	u35½	35¼	35⅜	-⅛
[illegible]										

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FINANCIAL TIMES

Continued on next page

الكاصة الأصل

4 pm close January 10

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 10

AMEX COMPOSITE PRICES

4 pm close January 10

Price data supplied by Telekurs

AMERICA

Fresh buying keeps Dow at a record high

Wall Street

After a hesitant start, US share prices moved further into record territory yesterday morning amid strong demand for cyclical stocks, *writes Patrick Harverson in New York.*

By 12.30 pm, the Dow Jones Industrial Average, which reached a new all-time closing high last Friday, was up 25.88 at 3,846.65.

The more broadly-based Standard & Poor's 500 was also firmer, up 2.64 at 472.54, while the Amex composite was down 1.28 at 478.21, and the Nasdaq composite up 3.14 at 786.08.

Although the market stuttered at the opening bell, sending prices lower in the first hour, the buying that pushed the leading indices to record highs last week quickly materialised again.

By mid-morning the Dow and the S&P were firmly in positive territory, with demand concentrated mostly on stocks sensitive to the economic cycle.

As last week, analysts attributed much of the buying to institutions putting to work the cash they received from investors in the New Year.

The money flows were sufficiently strong to offset yesterday's decline in bond prices, which pushed long-term interest rates up to 6.25 per cent.

The decline in the bond market was put down to profit-taking.

Among individual issues, automotive stocks were particularly strong as investors anticipated continued demand for cars and trucks.

Chrysler rose $1¾ to $58¾, Ford put on $1¾ at $66¼, and General Motors, aided by an analyst's upgrade, added $1½ at $59⅝.

Other cyclicals that were firmer included United Technologies, up $1⅛ at $64⅛, International Paper, up $½ at $73¼, and Alcoa, $1 higher at $73¼.

The latest development in the bid battle for Paramount Communications – last Friday's announced merger between Blockbuster and Viacom and their new, revised offer for Paramount – left investors unimpressed.

Paramount fell $1⅞ to $77⅞, Viacom "B" shares dropped $2¼ to $38½, Blockbuster eased $1⅛ to $26⅞ and QVC Network, which still has the highest bid on the table, fell $1½ to $39⅝.

Mexican stock prices opened sharply weaker in light trading and extended their fall during the morning after the weekend saw the Chiapas uprising spread into the Mexico City valley.

By early afternoon the IPC index was off 142.9, or 5.4 per cent, at 2,482.1 after a 2.2 per cent fall on Friday.

Brazil, in contrast, saw a midsession rise of 3.5 per cent after a climb of 7.2 per cent on Friday, the latest gains coming in an extended rally based on politico-economic hopes. The Bovespa index was up 1,655 at 49,295 at 1 pm local time.

Canada

Toronto stocks were weaker at midsession on profit-taking in the precious metals sector.

The TSE-300 composite index lost 5.19 to 4,415.47 in turnover of 32.6m shares valued at C$289.6m.

Declining issues exceded declines by 319 to 315, with 274 stocks holding steady.

The gold and silver sub-index fell 168.01, or 1.5 per cent, to 10,917.80 on weak bullion prices.

The consumer products sub-index added 56.48 to 6,8770.86 with Seagram putting on C$⅝ to C$37⅝.

SOUTH AFRICA

Some buying at lower levels helped to stem a slide in gold shares and lift them slightly off the day's lows, leaving the golds index 79 down at 2,210. Industrials slipped 8 to 5,742 and the overall index shed 38 to 5,044.

EUROPE

Bourses limited in response to overseas advances

Senior bourses offered a limited response to their counterparts' strength in Asia, and America yesterday, *writes Our Markets Staff.*

FRANKFURT hailed a return to the 1993 bull market as the DAX index rose 22.15 to 2,233.79, but share prices had the smell of speculation about them and the index eased to 2,225.00 in the afternoon. Turnover eased from DM10.8bn to DM9.4bn.

Commerzbank, with news of its rights issue and higher dividend digested, rose another DM9 to DM391.50 on stories involving Swiss stakebuilding and the bank's insurance subsidiary. There was more rights issue news from GEA, the engineering group, which sweetened the pot with a forecast of higher profits for 1994 and rose DM20 to DM625.

Metallgesellschaft recovered to an intraday high of DM238.90, but sank back to DM220 in the last few minutes of floor trading, ahead of tomorrow's meeting with its creditor banks.

Cars and construction were favoured. Volkswagen, which unveiled its updated Beetle prototype at Detroit's North American International Auto Show, rose DM9.30 to DM452.50; in construction, Hochtief, which forecast a higher dividend, rose DM26 to DM1,276 but Holzmann did better, up DM39 at DM1,099.

PARIS took another step into record territory as the CAC-40 index rose 9.70 to 2,317.25. Turnover remained strong at FFr6.8bn.

Activity was strong in the automotive sector with both Michelin and Valeo benefiting from rumours that they were planning separately to raise capital. Valeo, the components manufacturer, closed up FFr13 at FFr1,429 before denying the rumours after the close. Michelin was FFr3.00 stronger at FFr229.10, and after the close announced a FFr3.5bn convertible bond issue.

Good performances were seen in Accor, up FFr21 at FFr661, and Canal Plus, up FFr18 at FFr1,132, with some analysts suggesting that investors were looking for recent underperformers.

MADRID traded higher ahead of today's press conference from the ousted chairman of Banesto, Mr Mario Conde, the general index rising 2.52 to 326.03 in turnover of Pta33.6bn.

However, the Madrid bourse bulletin noted that Banesto, trading outside the official market during its suspension, changed hands at Pta1,400 last week against the last official price of Pta1,995; and the banking group's insurance subsidiary, Union y Fenix, dropped Pta315 to Pta1,795 when it was requoted yesterday.

ZURICH, after five record highs in succession, turned down late in the day, the SMI index peaking at 3,058.8 before closing 27.0 lower at 3,015.9.

Roche certificates shed SFr35 to SFr6,405, although its 11 per cent rise in 1993 sales was in line with expectations. Analysts suggested profit-taking.

SMH finished SFr3.50 lower at SFr212 after selling by one small Zurich bank had pushed the share to a low of SFr207, close to the key SFr205 key resistance level. CS Holding was SFr11 lower at SFr717 as rumours returned that it had an agreement to buy the stake in Commerzbank currently owned by RWE, the German utility.

MILAN began badly on fresh political problems, but picked up as recent short sellers returned to buy back positions. The Comit index finished 8.05 lower at 588.85.

Some strong advances were recorded. Montedison added L27 or 3.1 per cent to L904 and Ferruzzi put on L74 or 5.2 per cent to L1,505 as the companies completed their rights issues.

Strong foreign demand emerged for Istituto Bancario San Paolo di Torino, the big Turin bank, which took the shares L320 or 3.1 per cent higher to L10,400.

AMSTERDAM was active in second line stocks as the broader market fell back slightly on profit-taking, Royal Dutch, for example, losing Fl 1.10 to Fl 208.60. The AEX index closed a marginal 0.4 higher at 424.45, after touching a day's high of 425.64.

Océ van der Grinten, the manufacturer of photocopiers, was one of the most active issues, rising Fl 5.30 or 7.7 per cent to Fl 74.30 following better-than-expected 1993 results after Friday's close of trading.

KNP BT, the paper and packaging group, put on 50 cents to Fl 50.00 on news that it had sold that its 40 per cent stake in Ahrend, the supplier of office furniture, down Fl 5.00 at Fl 138.00.

STOCKHOLM advanced on the stronger crown, hopes for key rate cuts and positive budget signals and share prices hit their third consecutive all-time high. The Affärsvärlden General index closed 18.9 higher at 1,493.9 with strong gains in banking, real estate and construction stocks.

HELSINKI was led higher by a 1.9 per cent gain in the forestry sector, the Hex index rising another 25.9, or 1.5 per cent to 1,724.2, mainly on strong domestic demand.

TEL AVIV saw profit-taking after a record high on Sunday, the Minshtanim blue chip index losing 5.56, or 2.2 per cent to 251.26, with turnover at an all-time high of Shk623m.

ISTANBUL closed at another record high with the composite index breaking through the 25,000 level, adding 1,762.4 or 7.4 per cent to 25,447.17. Last week the index gained 14.5 per cent with turnover averaging some TL3,000bn each day.

Among the gainers, Eregli, the steel group, added TL600 to TL8,600.

FT-SE Actuaries Share Indices

Jan 10							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1488.40	1488.79	1486.91	1488.23	1489.29	1489.52	1489.22	1483.27
FT-SE Eurotrack 200	1563.37	1563.15	1561.78	1562.29	1564.69	1566.17	1559.73	1561.06

	Jan. 7	Jan. 6	Jan. 5	Jan. 4	Dec. 31
FT-SE Eurotrack 100	1485.12	1481.29	1473.05	1479.29	1473.38
FT-SE Eurotrack 200	1559.88	1548.25	1540.12	1545.77	1546.64

Base value 1000 (26/10/90) High/day: 100 - 1490.35; 200 - 1566.70 Low/day: 100 - 1482.65 200 - 1559.11.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Foreign activity helps Nikkei as Hong Kong rebounds

Tokyo

A surge of buying by overseas investors, prompted by increasing caution over south-east Asian markets, pushed up share prices, and the Nikkei average gained 1.8 per cent, its fourth consecutive rise, *writes Emiko Terazono in Tokyo.*

The 225-issue index put on 319.43 at 18,443.44 and the Topix index of all first section stocks added 20.27 at 1,501.29.

The Nikkei opened at the day's low of 18,186.52 and advanced on buying by arbitrageurs and foreign investors, with the bulk of overseas orders coming from Europe. The index hit a high of 18,567.06 in the early afternoon, but later lost some ground on profit-taking by corporate investors.

Volume was 470m shares against 322m, as overseas buying countered increased profit-taking ahead of March book closing. Rises overwhelmed falls by 947 to 124, with 93 issues unchanged. The ISE-Nikkei 50 index firmed 4.04 to 1,253.76.

In spite of the increase in selling by corporations and financial institutions, Mr Yasuo Ueki of Nikko Securities said most corporate investors, who are looking to take profits, particularly on banking stocks, were willing to wait while share prices continued to rise.

Blue chip electronics and large-capital steel companies were targeted, with Sony rising Y140 to Y1,560 and Sumitomo Electric gaining Y20 at Y1,410.

Hopes of increased government investment in telecommunication networks supported telecom and cable and wire companies: Nippon Telegraph and Telephone put on Y11,000 at Y798,000, Fujitsu Y2 at Y881 and Furukawa Electric Y9 at Y626.

Comments by Mr Masayoshi Takemura, the chief cabinet secretary, of a possible reduction of the landholding tax, encouraged buying of real estate companies. Mitsui Fudosan rose Y50 to Y1,200 and Mitsubishi Estate Y27 to Y974.

Some export-orientated stocks fell on profit-taking. NEC receded Y5 to Y957, Nissan Motor Y8 to Y752 and Toyota Motor Y10 to Y1,840.

In Osaka, the OSE average rose 427.12 to 20,278.28 in volume of 56.3m shares. The index moved above the 20,000 level for the first time in two months.

Roundup

It was a day of divergent trends as some of the region's markets resumed an upward path following last week's falls. Pakistan and Jakarta were closed for holidays.

HONG KONG was a case in point, staging a strong technical rebound to finish sharply higher. The Hang Seng index gained 365.46, or 3.3 per cent, at 11,366.94, but was off the day's high of 11,421.80. Turnover contracted to HK$10.8bn from Friday's record HK$15.2bn.

Brokers commented that the gains were seen across the board and there were no evident signs of an exodus by overseas funds, in spite of last week's recommendations by some Japanese and US analysts to reduce weightings.

BOMBAY continued where it left off on Friday as foreign funds increased their presence. The BSE 30-share index added 139.89, or 3.8 per cent, at 3,802.09.

Some brokers commented that optimism was being fuelled by hopes that the government would accelerate economic liberalisation plans.

BANGKOK, however, added to Friday's falls and declined steadily during late trading. The SET index finished 30.15, or 1.9 per cent, lower at 1,545.28 in turnover of Bt20bn.

Finance and securities shares were the big losers, with the sector down 7.6 per cent and accounting for 52 per cent of market turnover.

AUSTRALIA firmed on strong futures trading, the All Ordinaries index ending 12.6 higher at 2,198.6, having opened 10.6 points up. Turnover came to A$497.5m.

Attention closely followed insurance companies that may have exposure to property damaged by the bush fires in New South Wales. The Insurance Council of Australia has provisionally reported that the fires could cost insurers A$100m.

SEOUL closed lower as the stock market stabilisation fund placed sell orders worth Won60bn. The composite index shed 16.97 to 873.04.

SINGAPORE rebounded strongly in a technical reaction to three successive days of falls last week.

The Straits Times Industrial index rose 57.96 to 2,424.36, but was off an intraday high of 2,426.56. Volume was 629.5m shares.

TAIWAN lost early gains on heavy profit-taking in the electronics and financial sectors. The weighted index, which had seen an intraday peak of 6,560, finished 31.32 down at 6,343.83. Turnover was T$141.6bn.

MANILA added to its losses following Philippine Long Distance Telephone's further fall in New York on Friday.

The composite index shed 70.17 to 3,089.39, with PLDT down 90 pesos at 2,090 pesos.

KUALA LUMPUR recouped some of Friday's losses on a technical rally, with the composite index finishing 16.02 ahead at 1,206.75 after touching 1,221.90.

NEW ZEALAND enjoyed a steady start to the week, with the NZSE-40 capital index recording a rise of 27.36 at 2,251.51, with most sectors showing good advances.

Global investors move in to take profits

By William Cochrane

Some of the world's favourite equity markets were shaken last week, the odd laggard reviving as strategists switched allegiance, and investors took profits after the record breaking end to last year.

Hong Kong, Malaysia and Singapore showed falls of 6.9, 5.9 and 2.5 per cent respectively and, in Europe, Germany lost 2.1 per cent and Italy 4.1 per cent in local currency terms, as measured by the FT-Actuaries World Indices. The outstanding gain, in sheer size if not in percentage terms, was the 2.8 per cent in Japan.

In Asia, these falls have to be seen in perspective. Malaysia and Hong Kong scored local currency gains of 133 and 120 per cent in 1993, and even Singapore put up a rise of 69 per cent, so there was ample scope for profit-taking.

Strategists, meanwhile, were incisive. After gains of 17.6 per cent in the World Index, and 40 per cent in Europe ex the UK last year, Mr David Roche of Morgan Stanley reduced his global and European model portfolio equity weightings from 47 to 44, and from 45 to 43 per cent.

"For the first time in a year," he said, "we are now overweight in cash in both portfolios . . . we continue to believe that markets are driven mainly by liquidity and have now reached unsustainably optimistic levels."

At Nomura, Mr Nicholas Knight took a three to six months look at Asian markets and reversed last year's downgrading of Japan, increasing its weight from 15 to 22 per cent via reductions in Australia, Canada and Hong Kong.

Europe, excluding the UK, was downgraded from 15 to 8 per cent by Mr Albert Edwards of Kleinwort Benson, who also lifted the Japan allocation, from 30 to 42 per cent in this case. Mr Edwards thinks that US short term rates are set to rise sharply, bringing to an end the rallies in global markets led by US liquidity.

Last week, Italy saw more bad news about corruption and political uncertainty ahead of the vote of confidence scheduled for tomorrow. However, the country's economic performance has improved markedly over the past six months and Mr James Cornish, European strategist at NatWest Securities, is maintaining a watching brief on the market: "If Italy had total political stability, no corruption and no Mafia, it would certainly be a buy."

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.39	+4.25	+45.60	+42.42	+34.62	+32.52
Belgium	+1.47	+4.32	+33.88	+34.69	+26.35	+24.38
Denmark	+2.69	+7.38	+42.43	+47.70	+39.65	+37.49
Finland	+6.27	+7.96	+87.84	+108.24	+92.20	+89.23
France	+2.12	+6.01	+30.82	+30.49	+24.17	+22.23
Germany	-2.05	+1.85	+41.48	+41.56	+34.36	+32.28
Ireland	+7.23	+11.50	+57.37	+68.46	+50.58	+48.24
Italy	-4.12	+0.55	+36.27	+39.25	+22.99	+21.07
Netherlands	+2.07	+6.01	+40.86	+43.33	+36.59	+34.47
Norway	+4.73	+11.40	+40.47	+48.54	+39.42	+37.25
Spain	+0.70	+4.58	+46.54	+50.13	+20.59	+18.71
Sweden	+4.49	+9.62	+41.59	+46.06	+28.47	+26.47
Switzerland	+3.06	+6.80	+48.85	+48.00	+49.82	+47.49
UK	+1.29	+6.34	+23.90	+23.31	+23.31	+21.40
EUROPE	+1.08	+5.47	+33.31	+33.64	+28.70	+26.70
Australia	+0.60	+4.83	+37.44	+35.95	+37.91	+35.77
Hong Kong	-6.89	+9.00	+104.07	+105.26	+108.95	+105.70
Japan	+2.83	+1.45	+14.73	+13.89	+29.16	+27.15
Malaysia	-5.92	+11.74	+119.58	+119.24	+121.63	+118.20
New Zealand	+1.64	+6.55	+48.37	+47.87	+62.79	+60.27
Singapore	-2.53	+6.73	+62.31	+64.67	+71.88	+69.22
Canada	+2.54	+3.29	+26.78	+25.39	+22.46	+20.55
USA	+0.65	+1.15	+8.59	+7.33	+9.02	+7.33
Mexico	+2.91	+10.21	+42.40	+48.44	+51.50	+49.15
South Africa	+4.48	+14.14	+62.60	+66.54	+92.23	+89.24
WORLD INDEX	+1.12	+2.98	+19.64	+18.92	+23.21	+21.30

† Based on January 7th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 7 1994								THURSDAY JANUARY 6 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	169.87	–0.3	168.97	120.07	153.08	164.50	–0.7	3.13	170.45	169.83	121.27	154.17	165.67	170.93	117.39	118.62
Austria (17)	185.74	–0.8	184.76	131.30	167.38	167.19	–1.1	0.95	187.17	186.49	133.17	169.29	169.01	188.00	131.16	133.51
Belgium (42)	165.71	+0.6	164.83	117.12	149.32	147.14	+0.5	3.91	164.66	164.06	117.14	148.93	146.40	166.01	131.19	132.97
Canada (107)	139.40	–0.3	138.67	98.53	125.61	133.60	–0.2	2.51	139.76	139.25	99.43	126.40	133.78	139.76	111.41	112.92
Denmark (32)	255.89	–0.1	254.53	180.88	230.59	234.60	–0.4	0.97	256.21	255.28	182.29	231.73	235.46	256.60	185.11	190.92
Finland (22)	131.72	+0.8	131.02	93.11	118.70	159.12	+0.9	0.66	130.66	130.19	92.97	118.18	157.65	131.72	65.50	72.71
France (99)	179.90	+1.6	178.95	127.16	162.10	166.44	+1.5	2.79	177.01	176.36	125.93	160.08	164.05	179.90	142.72	146.33
Germany (59)	137.62	–0.1	136.89	97.29	124.01	124.01	–0.5	1.67	137.78	137.28	98.04	124.61	124.61	142.36	101.59	102.23
Hong Kong (56)	455.75	–3.5	453.33	322.15	410.71	452.00	–3.6	2.41	472.32	470.60	336.04	427.22	468.38	506.56	218.82	222.57
Ireland (14)	201.28	+2.2	200.21	142.28	181.38	198.56	+2.1	2.85	196.87	196.15	140.07	178.06	194.45	201.28	129.28	143.31
Italy (69)	66.43	–1.8	66.08	46.96	59.86	84.08	–1.5	1.95	67.68	67.43	48.15	61.21	85.35	78.33	53.78	65.27
Japan (469)	133.55	+1.5	132.84	94.40	120.36	94.40	+0.9	0.87	131.55	131.07	93.59	119.00	93.59	165.91	100.75	103.13
Malaysia (69)	570.50	–3.7	567.47	403.25	514.09	577.44	–3.8	1.26	592.53	590.37	421.55	535.90	600.40	621.63	251.66	258.89
Mexico (18)	2457.89	+1.0	2444.85	1737.40	2214.80	8344.16	+1.0	0.61	2433.51	2424.66	1731.39	2201.03	8261.39	2457.89	1410.30	1715.04
Netherland (26)	203.59	+0.1	202.51	143.91	183.47	180.15	–0.2	2.94	203.43	202.69	144.74	184.00	180.49	203.59	150.33	151.33
New Zealand (14)	68.74	+1.6	68.37	48.59	61.94	65.52	+1.4	3.58	67.66	67.43	48.16	61.22	64.63	68.74	40.56	41.68
Norway (23)	189.01	+0.2	188.01	133.61	170.33	192.06	+0.2	1.33	188.54	187.86	134.14	170.53	191.68	189.01	137.71	142.29
Singapore (45)	361.04	–2.4	359.13	255.21	325.34	265.62	–2.1	1.55	369.64	368.49	263.13	334.50	271.38	378.92	207.04	212.32
South Africa (60)	280.26	+1.1	278.77	198.10	252.54	261.71	+0.4	2.13	277.22	276.21	197.23	250.73	260.54	280.26	144.72	152.99
Spain (42)	138.43	+0.9	137.70	97.85	124.74	151.93	+0.6	3.94	137.24	136.74	97.65	124.13	151.10	145.24	115.23	117.92
Sweden (36)	209.38	+2.4	208.27	148.01	188.69	253.18	+2.2	1.38	204.37	203.63	145.41	184.85	247.76	209.38	149.70	162.55
Switzerland (49)	166.68	+0.9	165.79	117.83	150.22	151.95	+0.7	1.42	165.14	164.54	117.50	149.38	150.96	166.68	108.91	110.11
United Kingdom (215)	209.24	+1.6	208.13	147.89	188.53	208.12	+1.3	3.45	206.14	205.39	146.65	186.43	205.39	209.24	162.00	173.67
USA (518)	191.15	+0.6	190.13	135.12	172.26	191.16	+0.6	2.73	190.00	189.31	135.19	171.86	190.00	191.68	175.38	175.38
Europe (745)	172.33	+0.9	171.41	121.81	155.30	168.85	+0.7	2.72	170.71	170.09	121.46	154.41	165.61	172.33	133.92	135.83
Nordic (113)	200.49	+1.5	199.42	141.72	180.67	210.63	+1.3	1.18	197.59	196.87	140.58	178.71	207.97	200.49	142.13	148.38
Pacific Basin (722)	147.19	+0.8	146.41	104.04	132.64	107.33	+0.2	1.14	146.07	145.54	103.93	132.12	107.10	168.80	105.89	107.71
Euro-Pacific (1467)	157.48	+0.8	156.66	111.32	141.92	130.10	+0.5	1.86	156.17	156.60	111.10	141.24	129.51	162.86	117.26	119.09
North America (625)	187.91	+0.6	186.91	132.84	169.36	187.17	+0.6	2.72	186.85	186.17	132.96	169.03	186.11	188.13	171.51	171.51
Europe Ex. UK (530)	149.42	+0.6	148.63	105.64	134.66	142.82	+0.4	2.23	148.55	148.01	105.71	134.39	142.30	150.04	112.51	119.48
Pacific Ex. Japan (253)	277.26	-2.5	275.79	196.01	249.88	255.97	-2.5	2.36	284.23	283.20	202.26	257.10	262.64	296.36	152.70	152.70
World Ex. US (1652)	159.94	+0.8	159.09	113.07	144.13	133.61	+0.4	1.86	158.64	158.06	112.87	143.49	133.02	162.86	118.51	120.27
World Ex. UK (1955)	165.54	+0.7	164.66	117.02	149.19	146.21	+0.4	2.04	164.47	163.87	117.02	148.77	145.62	166.66	134.22	134.53
World Ex. So. Af. (2110)	168.64	+0.7	167.75	119.22	151.98	150.65	+0.5	2.19	167.41	166.80	119.12	151.43	149.89	170.46	137.29	137.92
World Ex. Japan (1701)	189.70	+0.5	188.70	134.11	170.96	185.91	+0.4	2.65	188.82	188.13	134.35	170.81	185.20	189.70	157.47	157.67
The World Index (2170)	169.34	+0.7	168.44	119.70	152.61	151.53	+0.5	2.18	168.09	167.48	119.60	152.05	150.77	170.68	137.32	137.92

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Latest prices were unavailable for this edition. Following the merger of Banco Lariano, B.P.L. and San Paolo (all Italian), by way of a share exchange, the free float of the latter will be increased to 33.15%. Consequently the full share capital of San Paolo will be used in the index with effect 13/1/94. Deletion (13/1/94): Banco Lariano (Italy).